



2015/2016

**ANNUAL IDP, BUDGET AND
SUPPORTING DOCUMENTATION
OF MOGALE CITY LOCAL
MUNICIPALITY**

ANNUAL BUDGET OF
MOGALE CITY LOCAL
MUNICIPALITY

2015/2016 TO 2017/2018
MEDIUM TERM REVENUE AND
EXPENDITURE FORECASTS

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Part 1 – Annual Budget

1.1 Introduction

“The core services that local government provides - clean drinking water, sanitation, electricity, waste removal and roads - are basic human rights, essential components of the right to dignity enshrined in our Constitution and Bill of Rights. Our vision of developmental local government was that it would be the building block on which the construction and development of our country and society was built, a place in which the citizens of our country could engage in a meaningful and direct way with the institutions of the state. Local government is where most citizens interface with government, and its foundational ethos must be about serving people.

Local government has been a primary site for the delivery of services in South Africa since 1994. We have made tremendous progress in delivering water, electricity, sanitation and refuse removal at a local level. These rates of delivery are unprecedented in world-wide terms.

Yet despite our delivery achievements, it is clear that much needs to be done to support, educate and where needed, enforce implementation of local government’s mandate for delivery. The transformation of the local government sector remains a priority for the current administration.

Our National Development Plan makes it clear that meeting our transformation agenda requires functional municipalities and capable machinery at a local level that can create safe and healthy and economically sustainable areas where citizens and people can work, live and socialise”.

(Extract from” The Presidential Local Government Summit BACK TO BASICS Serving Our Communities Better!)

What are key performance of Back-to-Basics approach a concept created by Minister of Cooperative Governance & Traditional Affairs Honourable Praven Gordon:

1. Basic Services: Creating decent living conditions

The planning, implementation and maintenance of basic infrastructure is critical for sustaining basic standards of living and economic activity in our towns and cities. Municipalities are required to develop service standards for each service, and establish systems for monitoring adherence to these standards. Municipalities are required to report on ward-level service delivery plans. Municipalities are expected to perform the following basic activities, and the performance indicators will measure the ability of municipalities to do so:

- Develop fundable consolidated infrastructure plans.
- Ensure infrastructure maintenance and repairs to reduce losses with respect to:
 - ✓ Water and sanitation.
 - ✓ Human Settlements.
 - ✓ Electricity.
 - ✓ Waste Management.
 - ✓ Roads.
 - ✓ Public Transportation.
- Ensure the provision of Free Basic Services and the maintenance of Indigent register.

2. Good Governance

Good governance is at the heart of the effective functioning of municipalities. These simple basics should be carried out by all municipalities:

- The holding of Council meetings as legislated,
- The functionality of oversight structures, s79 committees, audit committees and District IGR Forums,
- The existence and efficiency of Anti-Corruption measures,
- The extent to which there is compliance with legislation and enforcement of by-laws,
- The rate of service delivery protests and approaches to address them.

3. Public Participation

Municipalities must develop affordable and efficient communication systems to communicate regularly with communities and disseminate urgent information. The basic measures to be monitored:

- The existence of the required number of functional Ward committees.
- The number of effective public participation programmes conducted by Councillors.
- The regularity of community satisfaction surveys carried out.

4. Financial Management

Sound financial management is integral to the success of local government, National Treasury has legislated standards and reporting requirements that municipalities should adhere to. Performance against the following basic indicators to be monitored regularly:

- The number of disclaimers in the last three to five years.
- Whether the budgets are realistic and based on cash available.
- The percentage revenue collected.
- The extent to which debt is serviced.
- The efficiency and functionality of supply chain management.

5. Institutional Capacity

There has to be a focus on building strong municipal administrative systems and processes. It includes ensuring that administrative positions are filled with competent and committed people whose performance is closely monitored. Targeted and measurable training and capacity building to be provided for Councillors and municipal officials so that they are able to deal with the challenges of local governance as well as ensuring that scarce skills are addressed through bursary and training programmes. The basic requirements to be monitored include:

- Ensuring that the top six posts (Municipal Manager, Finance, Infrastructure, Corporate Services, Community development and Development Planning) are filled by competent and qualified persons.
- That the municipal organograms are realistic, underpinned by a service delivery model and affordable.

- That there are implementable human resources development and management programmes.
- There are sustained platforms to engage organised labour to minimise disputes and disruptions.
- Importance of establishing resilient systems such as billing.
- Maintaining adequate levels of experience and institutional memory.

Mogale City for the past seven years under the current administration has been implementing these back-to-basics key performance requirements. This has been proven by achieving clean audit during 2013/14 financial year. The goal is to enhance and build a strong environment where sustainable performance is achieved and aimed at improving quality service delivery for all people within Mogale City.

Budgeting is primarily about the choices that the municipality has to make between competing priorities and fiscal realities. The challenge is to do more with the available resources. The need to remain focused on the effective delivery of the core municipal services through the application of efficient and effective service delivery mechanisms is vital.

During the 2015/2016 financial year we hope to raise R2 183 831 623 in billed revenue and operational grants, excluding capital grants of R136 635 740. Of the R2 320 467 363 revenue anticipated R2 638 575 111 will be spent on operational budget to deliver services like water, electricity distribution, sanitation and sewerage and refuse removal. The rest amounting R319 635 887 will be spent on capital budget to achieve the following objectives.

1. To provide sustainable services to the community.
2. To promote sustainable environmental management.
3. To provide sustainable governance to the local communities.
4. To ensure sustainable governance practices within the Municipality.

In compiling this 2015/2016 annual budget was in line with the Strategic Plan which was revised in March 2015, reconciled with the IDP and MFMA Circular No.75. On operational budget however some of the items like bulk purchases and employee related costs are predetermined.

1.2 Recommended to the Municipal Council

1. That the draft annual IDP, Budget of Mogale City Local Municipality for the financial year 2015/16 and the indicative estimates for the two projected outer years 2016/17 and 2017/18, as set out in the schedules listed below be **tabled** in order to present these proposals to stakeholders for consultation:
 - 1.1. The annual IDP, Budget of the municipality for the financial year 2015/16 and the multi-year and single year capital appropriations as set out in the following tables:
 - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 15 (**MBRR Table A2**) on page 37;
 - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 16 (**MBRR Table A3**) on page 39;
 - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 18 (**MBRR Table A4**) on page 41; and
 - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 19 (**MBRR Table A5**) on page 44.
 - 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets be tabled as set out in the following tables:
 - 1.2.1. Budgeted Financial Position as contained in Table 20 (**MBRR Table A6**) on page 46;
 - 1.2.2. Budgeted Cash Flows as contained in Table 21 (**MBRR Table A7**) on page 48;
 - 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table 22 (**MBRR Table A8**) on page 48;
 - 1.2.4. Asset management as contained in Table 23 (**MBRR Table A9**) on page 50;
 - 1.2.5. Basic service delivery measurement as contained in Table 24 (**MBRR Table A10**) on page 52.
2. The Executive Mayor of Mogale City Local Municipality, acting in terms of Section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) tables for public participation the following tariffs:
 - 2.1. the tariffs for electricity – as set out in Schedule 3 on pages 70-80
 - 2.2. the tariffs for the supply of water – as set out in Schedule 3 on pages 81-83
 - 2.3. the tariffs for sanitation services – as set out in Schedule 3 on page 84
 - 2.4. the tariffs for property rates – as set out in Schedule 3 on page 85
 - 2.5. the tariffs for solid waste removal – as set out in Schedule 3 on pages 86-87
3. The Executive Mayor of Mogale City Local Municipality, acting in terms of Section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) tables for public participation the tariffs for other services, as set out in Schedule 3 on pages 88-103 respectively.
4. The Executive Mayor of Mogale City Local Municipality, in terms of Section 5 of the Local Government: Municipal Property Rates Act (Act 6 of 2004) tables the reviewed rates policy for public participation.
5. The Executive Mayor of Mogale City Local Municipality, in terms of Section 6 of the Local Government: Municipal Property Rates Act (Act 6 of 2004) tables the rates By-laws to give effect to the rates policy for public participation.
6. That the re-scheduling of capital projects funded by DBSA loan approved by council during 2014/15 financial year to the value of R53 200 000 be rolled-over to 2015/16 financial year be adopted and approved.

7. That the following budget related policies be tabled for public participation:
 1. Annexure 1: Property Rates Policy
 2. Annexure 2: Property Rates By-Laws
 3. Annexure 3: Borrowing Policy
 4. Annexure 4: Budget Management Policy
 5. Annexure 5: Adjustment Budget Policy
 6. Annexure 6: Cash Management & Investment Policy
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 15. Annexure 15: Virement Policy

8. That the following budget related policies be noted as were approved during the past financial years and remain in force for the 2015/2016 financial year:
 1. Write Off Policy
 2. Sports & Recreation Facilities Tariff Policy
 3. General Tariff Policy
 4. Funding & Reserves Policy
 5. Directives for Deviations from the normal SCM Process
 6. Public Safety Tariff Policy
 7. Development Contribution for Engineering Services Policy
 8. Water Services By-laws

1.3 Executive Summary

"The 2015 Budget Review notes that the global economic outlook has weakened and the pattern of slow growth is likely to persist, with consequences for all developing economies. South Africa's gross domestic product (GDP) forecast for 2015 has also been revised down. The National Treasury projects GDP growth of 2 per cent in 2015, rising to 3 per cent by 2017. Average growth over the forecast period is 0.4 percentage points lower than at the time of the 2014 Medium Term Budget Policy Statement. Inadequate electricity supply, however, will impose a serious constraint on output and exports over the short term.

The slowdown in economic growth since 2012 has highlighted structural constraints in the domestic economy. Achieving faster sustainable growth and large-scale job creation will require structural shifts in the economy, stronger supply-side value chains, higher exports, and moderation in wage increases and, crucially, growing private-sector investment based on confidence in the long-term business environment".(MFMA Circular No.75)

The state of the economy has an adverse effect on the consumers. As a result municipalities' revenues and cash flows are expected to remain under pressure. Furthermore municipalities should carefully consider affordability of tariff increases, especially as it relates to domestic consumers while considering the level of services versus the associated cost. Therefore the application of sound financial management principles for the compilation of the City's financial plan is essential and critical to ensure that the City remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The City will continue with its revenue enhancement project vigorously on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers.

National Treasury's MFMA Circular No. 51, 54, 55, 58, 66, 67, 70 , 72 & 75 were used to guide the compilation of the 2015/2015 MTREF.

The main challenges experienced during the compilation of the 2015/2016 MTREF can be summarised as follows:

- The on-going difficulties in the national and local economy;
- Securing the health of the asset base (especially the revenue generating assets) by increasing spending on repairs and maintenance and renewal of assets;
- Protecting the poor;
- Ensuring that drinking water and waste water management meets the required quality standards at all times;
- The need to reprioritise projects and high expenditure rate within the existing resource envelope given the cash flow realities and declining cash position of the municipality
- The increased cost of bulk water and electricity (due to tariff increases from Rand Water and Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be point where services will no-longer be affordable;
- The need to fill critical vacancies with limited resources;
- Affordability of capital projects – original allocations had to be reduced during the current year's adjustment budget and needed to be factored into the budget as part of the 2015/2016 MTREF process and new projects had to be scaled down to be within affordability.
- **The need to reflect costs reflective tariffs for Water with double digit increase from Rand Water of 14.5 per cent.**
- **The effect of correcting electricity tariffs to be in line with NERSA approved tariffs for 2014/15 financial year translating into a loss of R38 257 425.**
- **The projected cash flow deficit of R126 545 million during 2015/16, R764 075 million and R1 527 361 billion respectively over the MTREF this is the effect of high increase in bulk**

purchase for Electricity and Water which is out of control of the Municipality. Prioritisation of expenditure will take place before the final approval of the budget to remedy the situation.

- **Tabling a surplus budget: As per MFMA Circular 72:** “National Treasury has consistently urged municipalities to table and adopt a surplus operating statement of financial performance. Through the in-year reporting framework it has been observed that a direct correlation exists between municipalities that adopt a deficit position on the statement of financial performance and that of cash and liquidity challenges. In addition, many municipalities are increasingly becoming dependent on grants to fund their budgets as no operating surpluses are generated to supplement the capital programme. **Consequently all municipalities are required to adopt a surplus position on the statement of financial performance”.**

The following budget principles and guidelines directly informed the compilation of the 2015/2016 MTREF:

- The 2014/2015 Adjustments Budget priorities and targets, as well as the request from Departments based on the five year plan adopted by council and 2013/2014 audited outcome on certain line items.
- **Tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs. Mogale City has started a process of restructuring the tariffs for utility services for instance water, due to high proposed water tariff increase from Rand Water Mogale City added 2 per cent increase in the proposed tariff by Rand Water of 14.5 per cent to cover maintenance of water plants to sustain the continuity of providing water to Mogale City citizen.**
- **There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act.**
- **The cost containment measures must be implemented to eliminate waste, reprioritise spending and ensure savings on six focus areas namely, consultancy fees, no credit cards, travel and related costs, advertising, catering and event costs as well as costs for accommodation. Municipalities were strongly urged to take note of the cost containment measures as approved by Cabinet and align their budgeting policies to these guidelines to the maximum extent possible.**

In view of the aforementioned, the following table is a consolidated overview of the proposed 2015/2016 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2015/2016 MTREF

| R thousand | 2013/2014 Audited Outcome | Approved Adjustments Budget 2014/2015 | Budget Year 2015/16 | Budget Year +1 2016/2017 | Budget Year +2 2017/2018 |
|-------------------------------------------------------|----------------------------------|----------------------------------------------|----------------------------|---------------------------------|---------------------------------|
| Total Operating Revenue (including capital transfers) | 2 111 652 812 | 2 154 497 651 | 2 320 467 363 | 2 555 986 924 | 2 813 634 729 |
| Total Operating Expenditure | 2 175 315 784 | 2 447 307 412 | 2 638 575 111 | 2 819 108 832 | 3 050 512 379 |
| Surplus(/Deficit) after Capital Transfers | (63 662 972) | (292 809 761) | (318 107 748) | (263 121 908) | (236 877 650) |
| Total Capital Expenditure | 241 823 244 | 461 909 368 | 319 635 887 | 791 352 309 | 906 959 042 |
| Total Consolidated Budget | 2 417 139 028 | 2 909 216 780 | 2 958 210 998 | 3 610 461 141 | 3 957 471 421 |

Total operating revenue has grown by 8 per cent or R165 969 712 for the 2015/2016 financial year when compared to the 2014/2015 Adjustments Budget. For the two outer years, operational revenue will remain constant by 10 per cent respectively, equating to a total revenue growth of R659 137 077 over the MTREF when compared to the 2014/2015 adjustment budget.

Total operating expenditure for the 2015/2016 financial year has been appropriated at R2 638 575 110 and translates into an operating budgeted deficit of **R318 107 748**. This operating deficit is a non-cash deficit due to non-cash items like debt impairment, depreciation, year-end provisions and municipal charges of about **R512 172 164**. This deficit remains a challenge for the City as it affects our liquidity position.

When compared to the 2014/2015 Adjustment Budget, operational expenditure has grown by 8 per cent in the 2015/2016 budget and by 7 and 8 per cent for each of the respective outer years of the MTREF.

The capital budget of R319 635 887 for 2015/2016 is 31 per cent less when compared to the 2014/2015 Adjustment Budget. **Own funded capital projects were decreased drastically due to affordability.** A substantial portion of the capital budget will be implemented during 2016/17 and 2017/18 financial years. Own funding contributes 40 per cent in 2015/2016, when government grants & transfers and borrowing that are being rolled over are excluded. The balance will be funded from government grants and DBSA loan roll over.

1.4 Operating Revenue Framework

For Mogale City to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management and expenditure management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs, unemployment, poverty and old infrastructure assets. **The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.**

The revenue base for the City for other main tariffs excluding electricity, water and sanitation have increased by 6 per cent growth.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the City and continued economic development;
- Efficient revenue management, which aims to ensure a 95 per cent annual collection rate for property rates and other key service charges;
- Electricity tariff increases of 12.2 per cent still to be approved by the National Electricity Regulator of South Africa (NERSA);
- Water tariffs increase of 14.5 per cent proposed by Rand Water still to be approved by Parliament;
- Sanitation tariff increase of 12 per cent,
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Impact of Census 2011;
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the City.

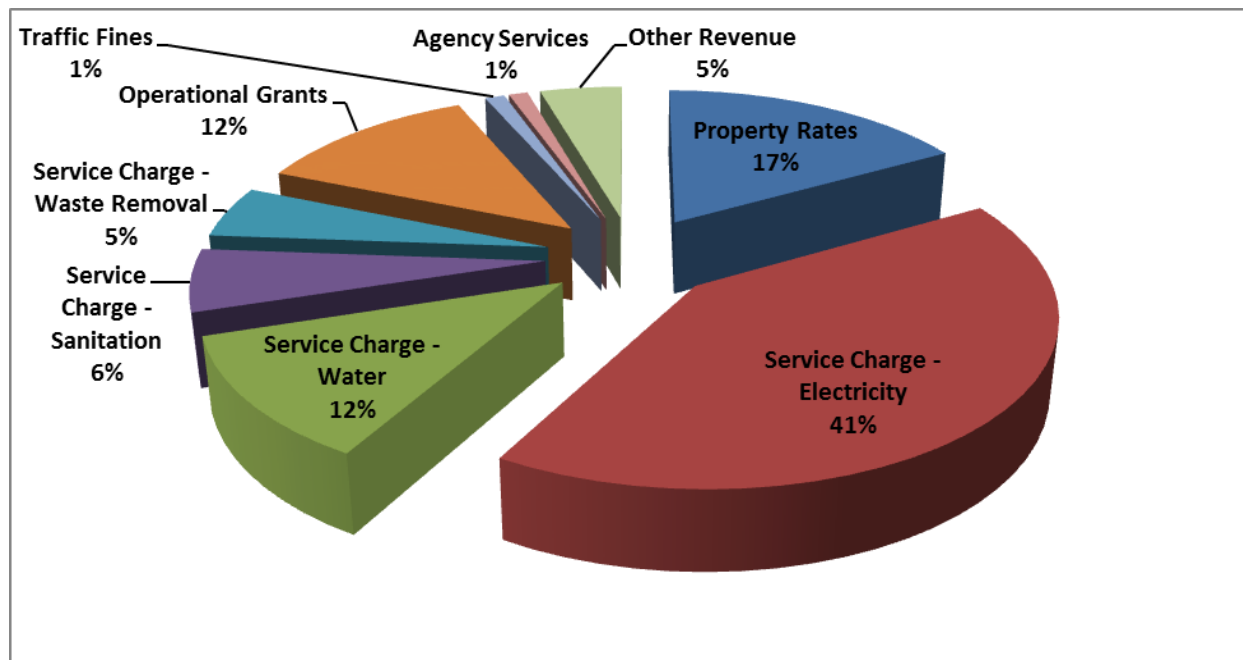


Figure 1 Main operational revenue categories

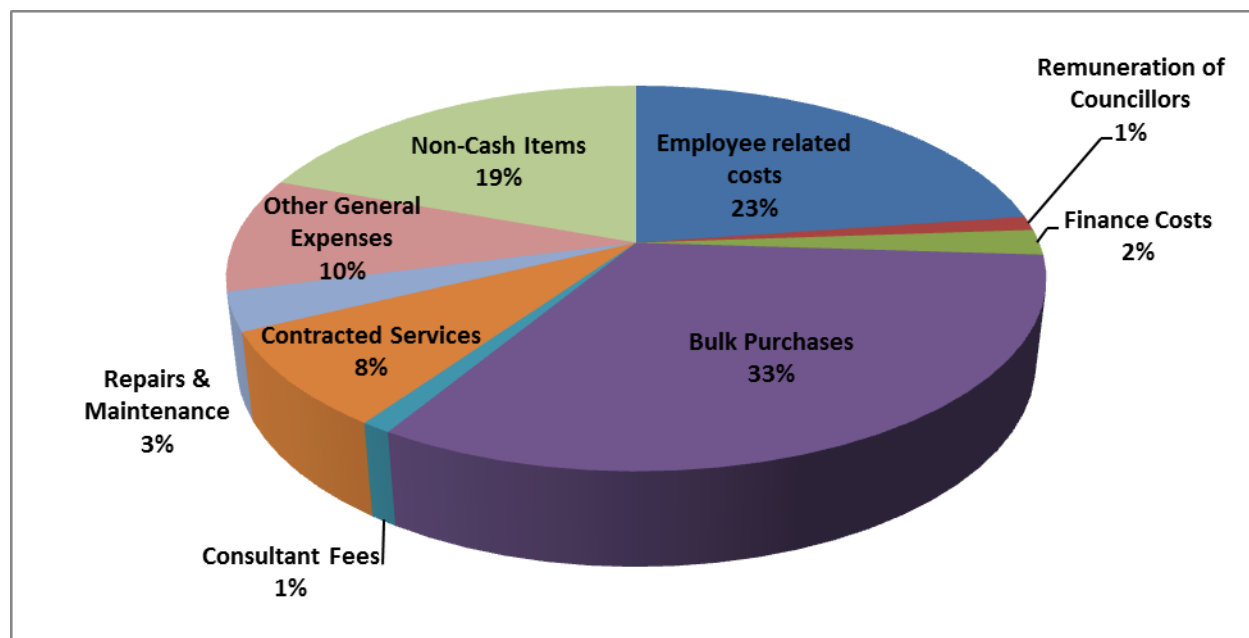


Figure 2 Main operational expenditure categories

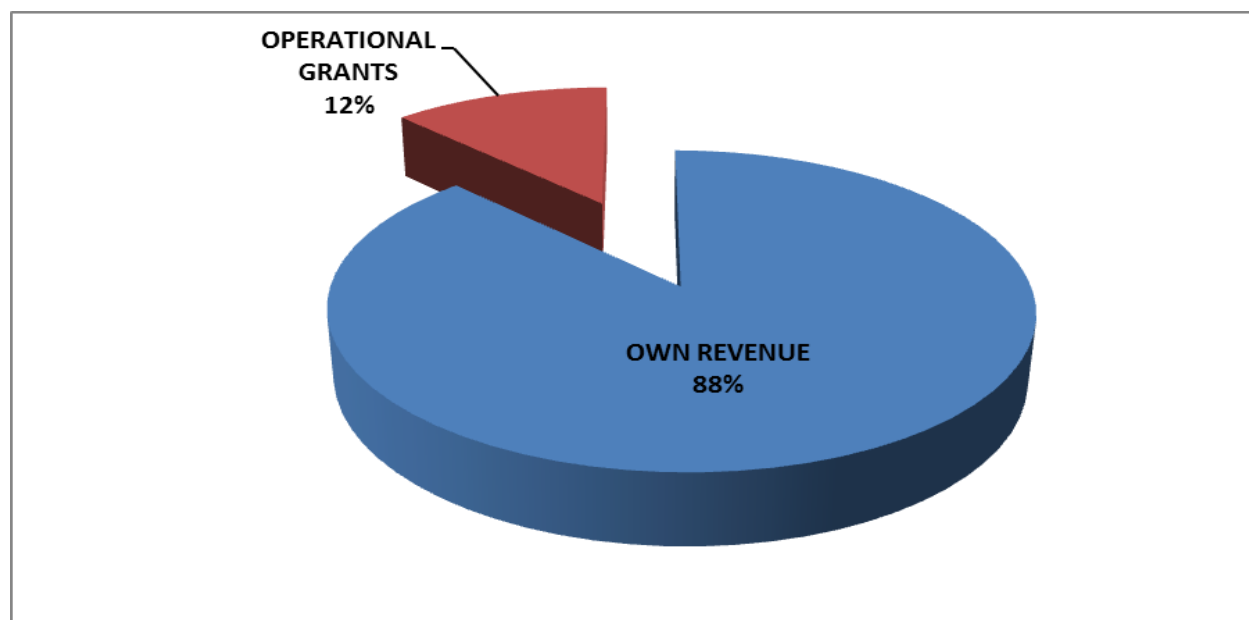


Figure 3: Source of revenue

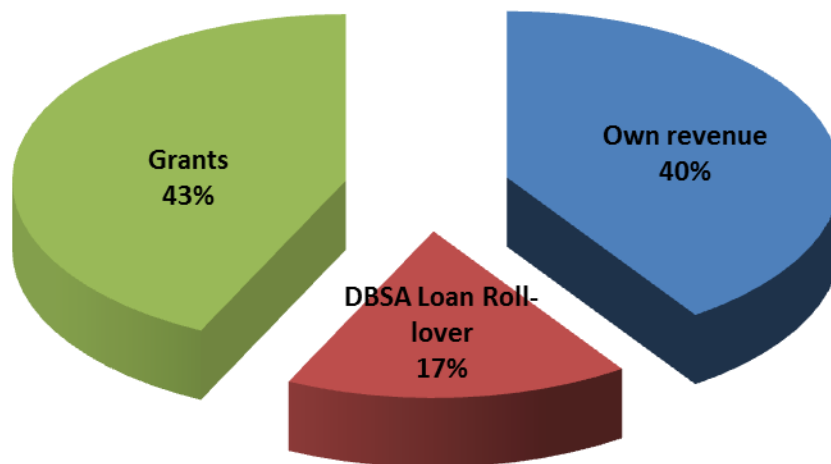


Figure 4: Capital Funding

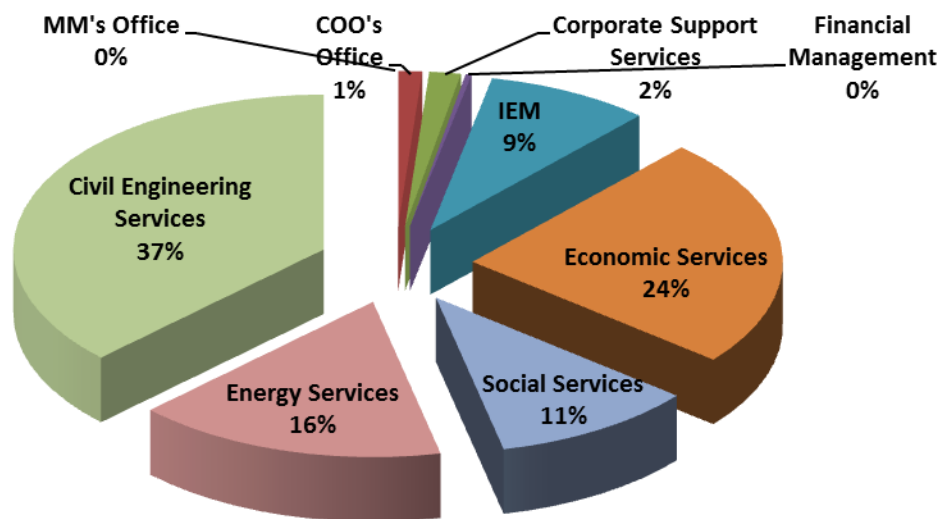


Figure 5: Capital budget per votes/departments

The following table is a summary of the 2015/2016 MTREF (classified by main revenue source):

Table 2 Summary of revenue classified by main revenue source

| Description | 2011/12 | 2012/13 | 2013/14 | Current Year 2014/15 | | | | 2015/16 Medium Term Revenue & Expenditure Framework | | |
|----------------------------------------------------------------------|------------------|------------------|------------------|----------------------|------------------|--------------------|-------------------|-----------------------------------------------------|------------------------|------------------------|
| | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year +1 2015/16 | Budget Year +1 2016/17 | Budget Year +2 2017/18 |
| R thousand | | | | | | | | | | |
| Revenue By Source | | | | | | | | | | |
| Property rates | 247 753 | 272 542 | 308 723 | 316 406 | 347 652 | 347 652 | 347 652 | 368 044 | 388 286 | 408 865 |
| Property rates- Penalty imposed and collection charges | 12 747 | 20 863 | 32 035 | 32 486 | 25 310 | 25 310 | 25 310 | 26 828 | 28 304 | 29 804 |
| Service charges - electricity revenue | 619 676 | 695 821 | 723 268 | 833 172 | 825 404 | 825 404 | 825 404 | 904 354 | 1 014 685 | 1 138 477 |
| Service charges - water revenue | 169 389 | 187 195 | 193 750 | 229 868 | 222 567 | 222 567 | 222 567 | 259 290 | 294 294 | 334 024 |
| Service charges - sanitation revenue | 85 741 | 94 007 | 105 155 | 111 476 | 117 890 | 117 890 | 117 890 | 132 037 | 145 241 | 159 765 |
| Service charges - refuse revenue | 76 556 | 91 131 | 100 636 | 105 544 | 104 130 | 104 130 | 104 130 | 110 378 | 116 449 | 122 621 |
| Rental of facilities and equipment | 3 149 | 2 821 | 2 969 | 3 508 | 3 252 | 3 252 | 3 252 | 3 447 | 3 637 | 3 830 |
| Interest earned - external investments | 4 717 | 13 598 | 12 659 | 1 468 | 5 839 | 5 839 | 5 839 | 6 000 | 6 330 | 6 665 |
| Interest earned - outstanding debtors | 10 202 | 10 349 | 14 518 | 13 732 | 32 299 | 32 299 | 32 299 | 34 237 | 36 120 | 38 035 |
| Dividends received | 13 | - | 34 | - | - | - | - | - | - | - |
| Fines | 11 036 | 10 487 | 170 003 | 23 522 | 23 522 | 23 522 | 23 522 | 23 522 | 24 816 | 26 131 |
| Licences and permits | 23 | 17 | 28 | 24 | 22 | 22 | 22 | 23 | 24 | 26 |
| Agency services | 18 999 | 24 950 | 21 408 | 24 950 | 21 408 | 21 408 | 21 408 | 22 692 | 23 940 | 25 209 |
| Transfers recognised - operational | 213 806 | 239 980 | 236 923 | 250 984 | 253 630 | 253 630 | 253 630 | 265 305 | 291 874 | 323 746 |
| Other revenue | 187 612 | 73 392 | 78 125 | 52 167 | 53 322 | 53 322 | 53 322 | 27 673 | 29 195 | 30 742 |
| Gains on disposal of PPE | 22 237 | - | 6 311 | 2 000 | - | - | - | - | - | - |
| Total Revenue (excluding capital transfers and contributions) | 1 683 657 | 1 737 151 | 2 006 544 | 2 001 308 | 2 036 248 | 2 036 248 | 2 036 248 | 2 183 832 | 2 403 196 | 2 647 940 |
| | | | | | | | | | | |

Table 3 Percentage growth in revenue by main revenue source

| Description R thousand | Current Year 2014/2015 | | 2015/16 Medium Term Revenue & Expenditure Framework | | | | | |
|----------------------------------------------------------------------------------|------------------------|-------------|-----------------------------------------------------|-------------|---------------------------|-------------|---------------------------|-------------|
| | Adjusted Budget | % | Budget Year 2015/16 | % | Budget Year +1 2016/17 | % | Budget Year +2 2017/18 | % |
| Property rates | 347 652 | 17% | 368 044 | 17% | 388 286 | 16% | 408 865 | 15% |
| Service charges - electricity revenue | 825 404 | 41% | 904 354 | 41% | 1 014 685 | 42% | 1 138 477 | 43% |
| Service charges - water revenue | 222 567 | 11% | 259 290 | 12% | 294 294 | 12% | 334 024 | 13% |
| Service charges - sanitation revenue | 117 890 | 6% | 132 037 | 6% | 145 241 | 6% | 159 765 | 6% |
| Service charges - refuse revenue | 104 130 | 5% | 110 378 | 5% | 116 449 | 5% | 122 621 | 5% |
| Service charges - other | 25 310 | 1% | 26 828 | 1% | 28 304 | 1% | 29 804 | 1% |
| Rental of facilities and equipment | 3 252 | 0% | 3 447 | 0% | 3 637 | 0% | 3 830 | 0% |
| Interest earned - external investments | 5 839 | 0% | 6 000 | 0% | 6 330 | 0% | 6 665 | 0% |
| Interest earned - outstanding debtors | 32 299 | 2% | 34 237 | 2% | 36 120 | 2% | 38 035 | 1% |
| Fines | 23 522 | 1% | 23 522 | 1% | 24 816 | 1% | 26 131 | 1% |
| Licences and permits | 22 | 0% | 23 | 0% | 24 | 0% | 26 | 0% |
| Agency services | 21 408 | 1% | 22 692 | 1% | 23 940 | 1% | 25 209 | 1% |
| Transfers recognised - operational | 253 630 | 12% | 265 305 | 12% | 291 874 | 12% | 323 746 | 12% |
| Other revenue | 53 322 | 3% | 27 673 | 1% | 29 195 | 1% | 30 742 | 1% |
| Total Revenue (excluding capital transfers and contributions) | 2 036 248 | 100% | 2 183 832 | 100% | 2 403 196 | 100% | 2 647 940 | 100% |
| Total revenue from rates and service charges | 1 617 644 | 79% | 1 774 103 | 81% | 1 958 955 | 82% | 2 163 752 | 82% |

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for Mogale City. Rates and service charge revenues comprise 81 per cent of the total revenue mix during 2015/16 financial year. In the 2014/15 financial year, revenue from rates and services charges totalled R1 617 644 billion or 79 per cent. This increases to R1 774 103 billion, R1 958 955 billion and R2 163 752 billion in the respective financial years of the MTREF. A notable trend is the increase in the total percentage revenue generated from rates and services charges which increases from 79 per cent in 2014/15 Adjustment Budget to 82 per cent in 2017/18 financial year. This growth can be mainly attributed to the increased share that the sale of electricity contributes to the total revenue mix, which in turn is due to rapid increases in the Eskom tariffs for bulk electricity over the years and water tariffs. The above table includes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality.

Property rates is the second largest revenue source totalling 17 per cent or R368 044 million rand and increases to R408 865 million by 2017/18. The third largest sources (besides other service charges) is transfer recognised-operational and fourth largest is 'other revenue' which consists of various items such as income received from rental of facilities, traffic fines, income from agency fees, building plan fees, connection fees, cemetery fees and advertisement fees. Departments have been urged to review the tariffs of these items on an annual basis to ensure they are cost reflective and market related.

Operating grants and transfers totals R265 306 million in the 2015/16 financial year an increase of 5 per cent when compared to 2014/15 Adjustment Budget and steadily increases to R323 746 million by 2017/18. Fiscal constraints mean that transfers to municipalities will grow more slowly in the period ahead than they have in the past. Note that the year-on-year growth remains constant at 12 per cent over the MTREF.

The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Table 4 Operating Transfers and Grant Receipts

| Description | 2011/12 | 2012/13 | 2013/14 | Current Year 2014/15 | | | 2015/16 Medium Term Revenue & Expenditure Framework | | |
|-------------------------------------------------------------|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-----------------------------------------------------|------------------------|------------------------|
| R thousand | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2015/16 | Budget Year +1 2016/17 | Budget Year +2 2017/18 |
| EXPENDITURE: | | | | | | | | | |
| | | | | | | | | | |
| Operating expenditure of Transfers and Grants | | | | | | | | | |
| National Government: | 190 724 | 216 138 | 229 221 | 244 839 | 244 839 | 244 839 | 265 305 | 291 874 | 323 746 |
| Local Government Equitable Share | 186 224 | 210 117 | 222 291 | 238 641 | 238 641 | 238 641 | 259 185 | 286 333 | 317 887 |
| Finance Management | 1 250 | 1 250 | 1 300 | 1 450 | 1 450 | 1 450 | 1 450 | 1 475 | 1 550 |
| Municipal Systems Improvement | 800 | 1 000 | 783 | - | - | - | - | - | - |
| EPWP Integrated Grant | 386 | 2 000 | 2 873 | 2 052 | 2 052 | 2 052 | 1 266 | - | - |
| MIG (PMU) | 2 064 | 1 771 | 1 974 | 2 696 | 2 696 | 2 696 | 3 404 | 4 066 | 4 309 |
| Provincial Government: | 6 198 | 6 654 | 5 030 | 6 145 | 7 720 | 7 720 | - | - | - |
| Sport and Recreation | 4 245 | 3 706 | 3 623 | 4 386 | 4 481 | 4 481 | - | - | - |
| Seta- Training | 1 759 | 1 295 | 1 407 | 1 759 | 1 759 | 1 759 | - | - | - |
| GDACE:Bontle ke Botho | 194 | - | - | - | - | - | - | - | - |
| DLGH:ALOECAP Project | - | 1 653 | - | - | - | - | - | - | - |
| GDARD: Environmental Planning & Impact Assessment | - | - | - | - | 1 480 | 1 480 | - | - | - |
| District Municipality: | 1 273 | 2 290 | 2 672 | - | 1 071 | 1 071 | - | - | - |
| HIV & AIDS | 1 273 | 2 290 | 2 672 | - | 1 071 | 1 071 | - | - | - |
| Total operating expenditure of Transfers and Grants: | 198 195 | 225 081 | 236 923 | 250 984 | 253 630 | 253 630 | 265 305 | 291 874 | 323 746 |

Tariff-setting is a pivotal and strategic part of the compilation of any budget. **When rates, tariffs and other charges were revised local economic conditions, salary and wage increases, other input costs of services provided by the municipality**, the municipality's indigent policy and the affordability of services were taken into account to ensure the financial sustainability of the City.

The percentage increases of both Eskom and Rand Water bulk tariffs are beyond the mentioned inflation target. Given that these tariff increases are determined by external agencies, the impact they have on the municipality's electricity and in these tariffs are largely outside the control of the City.

The revenue base for the City for Electricity, Water and Sanitation has increased by 2 per cent growth indicating an increase that is more than the tariff increase.

The Eskom price increase of bulk electricity supplied to municipalities will increase by 14.24 per cent on 01st July 2015.

On the 29 January 2015, NERSA approved and published guidelines on municipal electricity price increase for the 2015/16 financial year. A guideline increase of **12.20 per cent** has been approved based on the following assumptions:

- Bulk purchases have increased by 14.24 per cent in line with Eskom's electricity tariff increase to municipalities;
- A consumer price index (CPI) of 6.3 per cent as indicated in the Medium Term Budget Policy Statement (MTBPS) 2014;
- Salary and wage increases; and
- Repairs and maintenance, capital charges and other costs have increased by the CPI. **(MFMA Circular No.75).**

Rand Water has notified municipalities that the proposed potable water tariff will be 14.5 per cent from 01st July 2015. The 13.5 per cent potable water tariff increase plus 1% water demand management tariff increase portion, is therefore indicative tariff increase for 2015/16 financial year subject to the approval by Parliament in March 2015. Should any of the Municipalities object the 1% Water Demand Management tariff increase, Rand Water will not implement it. In terms of the Water Research Act 34 of 1971, Rand Water must collect the Water Research Levy, which is not part of Rand Water's tariff for payment to the Water Research Commission (WRC). Rand Water will inform Municipalities about the levy increase as soon as it has been gazetted. The budget for purchase of water does not include this water research levy.

It must also be note that Mogale City's water tariffs are not cost reflective, we are purchasing water from Rand Water at a higher price then sell to customers at low price. **The current challenge facing Mogale City is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions.**

Within this framework the municipality has undertaken the tariff setting process relating to service charges as follows:

1.4.1 Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Cooperative Governance. MFMA Budget Circular 72 for the 2014/15 MTREF encourages municipalities ***“to keep increases in rates, tariffs and other charges at levels that reflect an appropriate balance between the interests of poor household, other customers and ensuring the financial sustainability of the municipality”***

The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2015/16 financial year based on a **6 per cent** increase from 01st July 2015 is contained below:

Table 5 Proposed rates to be levied for the 2015/16 financial year

| Category | Current Tariff (1 July 2014) | Proposed tariff (from 1 July 2015) | Increase |
|----------------------------------------|-----------------------------------------|-------------------------------------------------------|-----------------|
| | c | c | % |
| Residential properties | 0.01222 | 0.01295 | 6% |
| State Owned Properties Residential | 0.01222 | 0.01295 | 6% |
| Business & Commercial | 0.02443 | 0.02590 | 6% |
| Agricultural | 0.00313 | 0.00332 | 6% |
| Agricultural-Residential | 0.01222 | 0.01295 | 6% |
| Agricultural-Business | 0.02443 | 0.02590 | 6% |
| Education Institution | 0.01222 | 0.01295 | 6% |
| Sectional title- Residential | 0.01222 | 0.01295 | 6% |
| Sectional title-Industrial | 0.02443 | 0.02590 | 6% |
| Sectional title-Business | 0.02443 | 0.02590 | 6% |
| Public Benefit Organization | 0.01222 | 0.01295 | 6% |
| Industrial | 0.02443 | 0.02590 | 6% |
| Religious | 0.01222 | 0.01295 | 6% |
| Public Service Infrastructure (PSI) | 0.01222 | 0.01295 | 6% |
| Public Open Space (Municipal) | 0.01243 | 0.01318 | 6% |
| Private Open Space | 0.01243 | 0.01318 | 6% |
| Special Use | 0.02238 | 0.02372 | 6% |

1.4.2 Sale of Water and Impact of Tariff Increases

South Africa faces similar challenges with regard to water supply as it did with electricity, since demand growth outstrips supply and high percentage of water losses. Mogale City is facing similar dilemma as any municipality in our Country. Consequently, **National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:**

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

Mogale City has developed a cost reflective model to decide a pricing strategy to phase-in the necessary tariff increase in a manner that spreads the impact on consumers over a period of time.

National Treasury encourages municipalities to put in place an appropriate strategy to limit water losses to acceptable levels and furthermore Rand Water will work together with municipalities to assist on water demand management. **Water losses in 2013/14 audited financial statements was 44 per cent, this includes 15 per cent of apparent losses.** Infrastructure Department has developed a strategy to curb these high water losses.

The reality is: Water loss interventions are not an overnight process whereby you are able to make a meaningful impact within the shortest period of time.

It is to be understood that all the steps taken by the Municipality in addressing the water losses are incrementally making a huge impact in curbing the losses. The efforts will show positive results in good time. Furthermore the interventions are based on best practice not only in Mogale City but in the Water industry.

Better maintenance of infrastructure, new reservoirs construction and cost-reflective tariffs will ensure that the supply challenges are managed in future to ensure sustainability. **Rand Water has proposed an indicative tariff increase of about 14.5 per cent for municipal budgeting process, subject to the approval by Parliament in March 2015.**

A tariff increase of 14.5 per cent from 1 July 2015 for water is therefore proposed by Rand Water however Mogale City is proposing an increase of 16.5 per cent taking into consideration the maintenance of water infrastructure assets. This is based on input cost assumptions of 14.5 per cent increase in the cost of bulk water (Rand Water) and 2 per cent for maintenance to sustain the supply of water. In addition 6 kℓ water per 30-day period will again be granted free of charge to all residents.

A summary of the proposed tariffs for households (residential) and non-residential are as follows:

Table 6 Proposed Water Tariffs

| CATEGORY | CURRENT TARIFFS 2014/15 | PROPOSED TARIFFS 2015/16 | INCREASE |
|------------------------------------------------------------|----------------------------------------|-----------------------------------------|-----------------|
| | Rand per kℓ | Rand per kℓ | % |
| RESIDENTIAL | | | |
| (i) 0 to 6 kℓ | 0 | 0 | |
| (ii) 7 to 15 kℓ | 13.57 | 15.81 | 16.5% |
| (iii) 16 to 30 kℓ | 16.83 | 19.60 | 16.5% |
| (iv) 31 to 45 kℓ | 19.59 | 22.82 | 16.5% |
| (v) 46 to 60kℓ | 21.60 | 25.17 | 16.5% |
| (vi) 61 kℓ + above | 23.61 | 27.50 | 16.5% |
| Other consumers: Schools, NGO's and Hospitals Per kℓ | 15.72 | 18.32 | 16.5% |
| NON-RESIDENTIAL (Business & Industrial) | | | |
| (i) 0 – 500 kℓ | 19.62 | 22.86 | 16.5% |
| (ii) 500 + above | 14.72 | 17.15 | 16.5% |

1.4.3 Sanitation and Impact of Tariff Increases

A tariff increase of 12 per cent for sanitation from 1st July 2015 is proposed. **It should be noted that electricity costs contributes approximately 6 per cent of waste water treatment input costs, therefore the higher than CPI increase of 12 per cent for sanitation tariffs and also taking into consideration the maintenance and replacement of old waste water plants.** The following factors also contribute to the proposed tariff increase:

- Free sanitation (100 per cent of 6 kℓ water) will be applicable to registered indigents; and
- The total revenue expected to be generated from rendering this service amounts to R132 million for the 2015/16 financial year.

The following table compares the current and proposed tariffs:

Table 7 Proposed sanitation tariff charges

| Category/Land Use (Irrespective of the quantity of water supplied to the premises) | CURRENT TARIFFS 2014/2015 | PROPOSED TARIFFS 2015/2016 | INCREASE |
|---------------------------------------------------------------------------------------------------------|---------------------------------|----------------------------------|----------|
| | R | R | % |
| Additional Sewerage fixed usage 30kl /month | 160.17 | 179.39 | 12.0% |
| Basic Charges per m2 | 0.02 | 0.03 | 12.0% |
| Additional Sewerage for Rietvallei/Lusaka/Ga-Mogale | 80.10 | 89.71 | 12.0% |
| Business, School , NGO, Hospital Consumer, additional sewage prior year to date average kl usage/months | 5.35 | 5.99 | 12.0% |
| Basic Sewerage Fixed usage 30kl/month : Vacant stand | 3.23 | 3.62 | 12.0% |

1.4.4 Sale of Electricity and Impact of Tariff Increases

The Eskom price increase of bulk electricity supplied to municipalities will increase by 12.2 per cent on 01st July 2015. On the 29 January 2015, NERSA approved and published guidelines on municipal electricity price increase for the 2015/16 financial year. A guideline increase of **12.20 per cent** has been approved based on the following assumptions:

- Bulk purchases have increased by 14.24 per cent in line with Eskom's electricity tariff increase to municipalities;
- A consumer price index (CPI) of 6.3 per cent as indicated in the Medium Term Budget Policy Statement (MTBPS) 2014;
- Salary and wage increases; and
- Repairs and maintenance, capital charges and other costs have increased by the CPI.

It should be noted that the guideline is not an automatic increase in tariffs. Therefore all municipalities with distribution licenses are still required to apply to NERSA for the approval of their tariffs.

Electricity levy increase

During his budget speech on 25 February 2015, the Minister of Finance announced that the electricity levy will be increased by 2 cents per kWh. A special municipal circular will be issued in due course to guide municipalities on the implementation of the 2 cents per kWh electricity levy. In the interim municipalities are advised to use the guideline issued by NERSA to set their tariffs for the 2015/16 financial year.

Registered indigents will again be granted 50 kWh per month free of charge.

Built into Mogale City electricity tariffs for 2015/2016 is a correction necessitated to address such tariffs as approved by NERSA. The category of tariffs affected by the adjustment during 2015/16 is that relating to the Domestic – Single Consumers Pre-paid (37, 91%) and the Domestic Bulk Consumers Low Voltage which has to be adjusted by 3.51%. After several meetings with NERSA it was agreed that where tariffs were inconsistent with those approved for 2014/15, correction would be affected during the 2015/16 financial year in the structuring of those tariffs to ensure that affected consumers receive benefit as a consequence of the previously higher tariff levied. An official press release will be communicated in due course.

The approved budget for the Energy Services can only be utilised for certain committed upgrade projects and to strengthen critical infrastructure (e.g. substations without back-up supply). It is estimated that special funding for electricity bulk infrastructure to the amount of R131 050 million and R224 650 million respectively over MTREF will be necessary to steer the City out of this predicament to be funded from own revenue and grant from Department of Energy.

Table 8 Proposed Electricity Tariffs

| | | | | | 2014-2015 | | 2015-2016 | | | | | | | |
|------------------------------------------------------------------------------|--|--|--|--|--------------|--------------------------------------------------|---------------------------|---------------------------------------|---------------------------------|------------|----------|--------|----------|--------|
| | | | | | MOGALE | NERSA | NERSA | Guideline | | | | | | |
| | | | | | | | % Increase/Decrease | 12.20% | Mogale City % Increase/Decrease | | | | | |
| Excluding VAT | | | | | Tariff Code | | 2015/16 Tariff Correction | Mogale City Proposed Tariffs Jul 2015 | | | | | | |
| | | | | | 2014/2015 | 2014/2015 | | 2015/2016 | 2015/2016 | | | | | |
| ENVIRONMENTAL ELECTRICITY LEVY | | | | | R / kWh Sold | R 0.0403 | R 0.0000 | -100% | R 0.0000 | -100% | | | | |
| 1. Domestic - Single Consumers | | | | | | | | | | | | | | |
| 1.1. Pre-Paid | | | | | | | | | | | | | | |
| 1.1.1. Pre-Paid: Single Phase | | | | | | | | | | | | | | |
| 1.1.1.1. Energy (R/kWh) | | | | | 0269 | kWh Consumption: 1 - 1 000 kWh / Month | R 1.2852 | R 1.2852 | 0.00% | R 1.4420 | 12.2% | | | |
| 1.1.1.2. Energy (R/kWh) | | | | | NEW | kWh Consumption: 1 001 - 1 500 kWh / Month | R 1.5423 | R 1.4249 | -8.24% | R 1.4249 | -8.24% | | | |
| 1.1.1.3. Energy (R/kWh) | | | | | NEW | kWh Consumption: > 1 500 kWh / Month | R 1.7993 | R 1.4823 | -21.39% | R 1.4823 | -21.39% | | | |
| Fixed Charge (R/A/CB rating) | | | | | | | | | | | | | | |
| 1.1.2. Pre-Paid: Three Phase | | | | | | | | | | | | | | |
| 1.1.2.1. Energy (R/kWh) | | | | | | kWh Consumption: 1 - 1 000 kWh / Month | R 1.8435 | R 1.3212 | -39.53% | R 1.3212 | -39.53% | | | |
| 1.1.2.2. Energy (R/kWh) | | | | | NEW | kWh Consumption: 1 001 - 1 500 kWh / Month | R 2.2121 | R 1.4648 | -51.02% | R 1.4648 | -51.02% | | | |
| 1.1.2.3. Energy (R/kWh) | | | | | NEW | kWh Consumption: > 1 500 kWh / Month | R 2.5808 | R 1.5239 | -69.35% | R 1.5239 | -69.35% | | | |
| Fixed Charge (R/A/CB rating) | | | | | | | | | | | | | | |
| 1.2. Life Line (Poor Households) (Conventional and Pre-Paid Metering) | | | | | | 350 kWh / Month and 30 Ampere Connection Maximum | | | | | | | | |
| 1.2.1. Energy (R/kWh) | | | | | 0277 | kWh Consumption: 51 - 350 kWh / Month | R 0.9938 | R 0.9421 | -5.49% | R 0.9421 | -5.49% | | | |
| 1.2.2. Energy (R/kWh) | | | | | NEW | kWh Consumption: 351 - 500 kWh / Month | R 1.2919 | R 1.0430 | -23.86% | R 1.0430 | -23.86% | | | |
| 1.2.3. Energy (R/kWh) | | | | | NEW | kWh Consumption: 501 - 750 kWh / Month | R 1.3913 | R 1.2565 | -10.73% | R 1.2565 | -10.73% | | | |
| 1.2.4. Energy (R/kWh) | | | | | NEW | kWh Consumption: > 751 kWh / Month | R 1.5900 | R 1.4820 | -7.29% | R 1.4820 | -7.29% | | | |
| Fixed Charge (R/A/CB rating) | | | | | | | | | | | | | | |
| 1.3. Two-Part | | | | | | | | | | | | | | |
| 1.3.1. Energy (R/kWh) | | | | | 0270 | | R 1.0228 | R 1.0048 | -1.79% | R 1.0048 | -1.79% | | | |
| 1.3.2. Fixed Charge (R/A/CB rating) (60A) | | | | | 0200 | | R 3.92 | R 3.92 | 0.00% | R 4.40 | 12.2% | | | |
| 1.4. Two-Part: Time-of-Use | | | | | | | | | | | | | | |
| Energy (R/kWh): | | | | | | | | | | | | | | |
| 1.4.1. During Eskom PEAK Times | | | | | 0236 | | R 2.2886 | R 2.2886 | 0.00% | R 2.5678 | 12.2% | | | |
| 1.4.2. During Eskom STANDARD Times | | | | | 0237 | | R 1.0639 | R 1.0639 | 0.00% | R 1.1937 | 12.2% | | | |
| 1.4.3. During Eskom OFF-PEAK Times | | | | | 0238 | | R 0.7095 | R 0.7095 | 0.00% | R 0.7961 | 12.2% | | | |
| 1.4.4. Fixed Charge (R/A/CB rating) | | | | | 0216 | | R 3.92 | R 3.92 | 0.01% | R 4.39 | 12.0% | | | |
| 1.5. FREE Basic Electricity | | | | | | Poor households - 50 kWh / Month | | R 0.0000 | | R 0.0000 | | | | |
| 2. Domestic - Bulk Consumers Low Voltage | | | | | | % correction compared to Commercial Tariff | | | | | | | | |
| 2.1. Three-Part | | | | | | | | | | | | | | |
| 2.1.1. Energy (R/kWh) | | | | | 240 | | R 0.8061 | R 0.7787 | -3.52% | R 0.7787 | -3.52% | | | |
| 2.1.2. Fixed Charge (Rand/Month) | | | | | 212 | | R 435.92 | R 435.92 | 0.00% | R 489.10 | 12.2% | | | |
| 2.1.3. Demand Charge (R/kVA) | | | | | 241 | | R 77.87 | R 80.61 | 3.40% | R 90.44 | 12.2% | | | |
| 2.1.4. Reactive Energy Charge (R/kvarh) | | | | | NEW | | R 0.1629 | R 0.1629 | 0.00% | R 0.1828 | 12.2% | | | |
| 2.2. Time-of-Use: | | | | | | | | | | | | | | |
| 2.2.1. Energy Charge (R/kWh) | | | | | | Weekdays Saturday Sunday | | | | | | | | |
| Peak | | | | | 242 | 07:00 -10:00 | N/A | N/A | High Demand(Jun-Aug) | R 3.2015 | R 3.2015 | 0.00% | R 3.5921 | 12.2% |
| | | | | | 243 | 18:00 -20:00 | | | Low Demand(Sep-May) | R 0.8942 | R 0.8942 | 0.00% | R 1.0033 | 12.2% |
| Standard | | | | | 244 | 08:00 -07:00 | 07:00 -12:00 | N/A | High Demand(Jun-Aug) | R 0.8325 | R 0.8942 | 6.90% | R 1.0033 | 19.1% |
| | | | | | 245 | 10:00 -18:00 | 18:00 -20:00 | | Low Demand(Sep-May) | R 0.5479 | R 0.5479 | 0.00% | R 0.6147 | 12.2% |
| Off-Peak | | | | | 246 | 20:00 -22:00 | 12:00 -18:00 | | High Demand(Jun-Aug) | R 0.4446 | R 0.4446 | 0.00% | R 0.4988 | 12.2% |
| | | | | | 247 | 22:00 -06:00 | 20:00 -07:00 | 00:00 -24:00 | Low Demand(Sep-May) | R 0.3830 | R 0.3830 | 0.00% | R 0.4297 | 12.2% |
| 2.2.2. Fixed Charge (Rand/Month) | | | | | 213 | | R 392.35 | R 392.32 | -0.01% | R 440.18 | 12.2% | | | |
| 2.2.3. Demand Charge (R/kVA) | | | | | 248 | | R 77.70 | R 77.70 | 0.00% | R 87.18 | 12.2% | | | |
| 2.2.4. Reactive Energy Charge (R/kvarh) | | | | | NEW | | R 0.1629 | R 0.1629 | 0.00% | R 0.1828 | 12.2% | | | |
| 3. Domestic - Bulk Consumers High Voltage | | | | | | % correction compared to Commercial Tariff | | | | | | | | |
| 3.1. Three-Part | | | | | | | | | | | | | | |
| 3.1.1. Energy (R/kWh) | | | | | 249 | | R 0.6905 | R 0.6453 | -7.00% | R 0.6453 | -7.00% | | | |
| 3.1.2. Fixed Charge (Rand/Month) | | | | | 214 | | R 4 805.98 | R 4 491.49 | -7.00% | R 4 491.49 | -7.00% | | | |
| 3.1.3. Demand Charge (R/kVA) | | | | | 250 | | R 69.05 | R 64.53 | -7.00% | R 64.53 | -7.00% | | | |
| 3.1.4. Reactive Energy Charge (R/kvarh) | | | | | NEW | | R 0.1629 | R 0.1629 | 0.00% | R 0.1828 | 12.2% | | | |
| 3.2. Time-of-Use | | | | | | | | | | | | | | |
| 3.2.1. Energy Charge (R/kWh) | | | | | | Weekdays Saturday Sunday | | | | | | | | |
| Peak | | | | | 251 | 07:00 -10:00 | N/A | N/A | High Demand(Jun-Aug) | R 3.4204 | R 3.4204 | 0.00% | R 3.8377 | 12.2% |
| | | | | | 252 | 18:00 -20:00 | | | Low Demand(Sep-May) | R 0.9551 | R 0.9551 | 0.00% | R 1.0716 | 12.2% |
| Standard | | | | | 253 | 08:00 -07:00 | 07:00 -12:00 | N/A | High Demand(Jun-Aug) | R 0.8894 | R 0.8894 | 0.00% | R 0.9979 | 12.2% |
| | | | | | 254 | 10:00 -18:00 | 18:00 -20:00 | | Low Demand(Sep-May) | R 0.5853 | R 0.5853 | 0.00% | R 0.6567 | 12.2% |
| Off-Peak | | | | | 255 | 20:00 -22:00 | 12:00 -18:00 | | High Demand(Jun-Aug) | R 0.4750 | R 0.4750 | 0.00% | R 0.5330 | 12.2% |
| | | | | | 256 | 22:00 -06:00 | 20:00 -07:00 | 00:00 -24:00 | Low Demand(Sep-May) | R 0.4094 | R 0.4750 | 13.81% | R 0.5330 | 26.02% |
| 3.2.2. Fixed Charge (Rand/Month) | | | | | 215 | | R 4 805.98 | R 4 805.98 | 0.00% | R 5 392.31 | 12.2% | | | |
| 3.2.3. Demand Charge (R/kVA) | | | | | 257 | | R 69.05 | R 69.05 | 0.00% | R 77.47 | 12.2% | | | |
| 3.2.4. Reactive Energy Charge (R/kvarh) | | | | | NEW | | R 0.1629 | R 0.1629 | 0.00% | R 0.1828 | 12.2% | | | |
| 4. Commercial and Industrial - Small Consumers | | | | | | | | | | | | | | |
| 4.1. Two-Part | | | | | | | | | | | | | | |
| 4.1.1. Energy (R/kWh) | | | | | 0271 | | R 1.1900 | R 1.1900 | 0.00% | R 1.3352 | 12.2% | | | |
| 4.1.2. Fixed Charge (R/A/CB rating) | | | | | 0209 | | R 4.82 | R 4.82 | 0.00% | R 5.41 | 12.2% | | | |
| 4.2. Two-Part: Time-of-Use | | | | | | | | | | | | | | |
| 4.2.1. Energy (R/kWh): | | | | | | | | | | | | | | |
| 4.2.1.1. During Eskom PEAK Times | | | | | 0233 | | R 2.4064 | R 2.4064 | 0.00% | R 2.7000 | 12.2% | | | |
| 4.2.1.2. During Eskom STANDARD Times | | | | | 0234 | | R 1.1312 | R 1.1312 | 0.00% | R 1.2692 | 12.2% | | | |
| 4.2.1.3. During Eskom OFF-PEAK Times | | | | | 0235 | | R 0.7429 | R 0.7429 | 0.00% | R 0.8335 | 12.2% | | | |
| 4.2.2. Fixed Charge (R/A/CB rating) | | | | | 0217 | | R 4.82 | R 4.82 | 0.00% | R 5.41 | 12.2% | | | |
| 4.3. Pre-Paid | | | | | | | | | | | | | | |
| 4.3.1. Pre-Paid: Single Phase | | | | | | | | | | | | | | |
| 4.3.1.1. Energy (R/kWh) | | | | | 0269 | Maximum Consumption: 1 000 kWh / Month | R 1.3948 | R 1.3913 | -0.25% | R 1.3913 | -0.25% | | | |
| 4.3.1.2. Fixed Charge (R/A/CB rating) | | | | | | NO Charge | | | | | | | | |
| 4.3.2. Pre-Paid: Three Phase | | | | | | | | | | | | | | |
| 4.3.2.1. Energy (R/kWh) | | | | | | Maximum Consumption: 1 000 kWh / Month | R 1.5679 | R 1.5679 | 0.00% | R 1.7592 | 12.2% | | | |
| 4.3.2.2. Fixed Charge (R/A/CB rating) | | | | | | NO Charge | | | | | | | | |
| 5. Commercial & Industrial - Bulk Consumers Low Voltage | | | | | | | | | | | | | | |
| 5.1. Three-Part | | | | | | | | | | | | | | |
| 5.1.1. Energy (R/kWh) | | | | | 0273 | | R 0.8281 | R 0.7841 | -5.61% | R 0.7841 | -5.61% | | | |
| 5.1.2. Fixed Charge (Rand/Month) | | | | | 0202 | | R 435.92 | R 435.92 | 0.00% | R 489.10 | 12.2% | | | |
| 5.1.3. Demand Charge (R/kVA) | | | | | 0291 | | R 78.48 | R 82.81 | 5.23% | R 92.91 | 17.43% | | | |
| 5.1.4. Reactive Energy Charge (R/kvarh) | | | | | NEW | | R 0.1629 | R 0.1629 | 0.00% | R 0.1828 | 12.2% | | | |

8.4.5 Solid Waste Removal and Impact of Tariff Increase

A tariff increase of 6 per cent for sanitation from 1st July 2015 is proposed.

The following table compares current and proposed amounts payable from 1st July 2015:

Table 9 Proposed solid waste removal

| | 2014/2015 | 2015/2016 | INCREASE |
|---------------------------------------------------------------------------------------------------------------------|--------------------|-----------|----------|
| MOBILE REFUSE CONTAINERS 240L BINS | Per month ® | | |
| Domestic Refuse:One removal per week per 240l container per month or part thereof | 121.17 | 128.44 | 6% |
| Domestic Refuse:Daily Removal per 240L cotainer per month or part thereof | 726.98 | 770.60 | 6% |
| Business Refuse: One removal per week per 240l container per month or part threof | 282.73 | 299.70 | 6% |
| Business Refuse:Daily removal per 240l container per month or part thereof | 1 130.86 | 1 198.71 | 6% |
| Handling /Delivery Fees per container to be delivered | 80.72 | 85.57 | 6% |
| Replacement of lost/damaged container (payable in advance if fault of user) | 727.06 | 770.68 | 6% |
| | | | |
| BIN LINERS | | | |
| From dwellings:one removal with a maximum of six bin liners with a capacity of 85L each per month or part thereof | 112.40 | 119.15 | 6% |
| From Flats:one removal with a maximum of four bin liners with a capacity of 85L per flat, per month or part thereof | 78.99 | 83.73 | 6% |

1.5 Operating Expenditure Framework

The following table is a high level summary of the 2015/2016 budget and MTREF (classified per main type of operating expenditure):

Table 10 Summary of operating expenditure by standard classification item

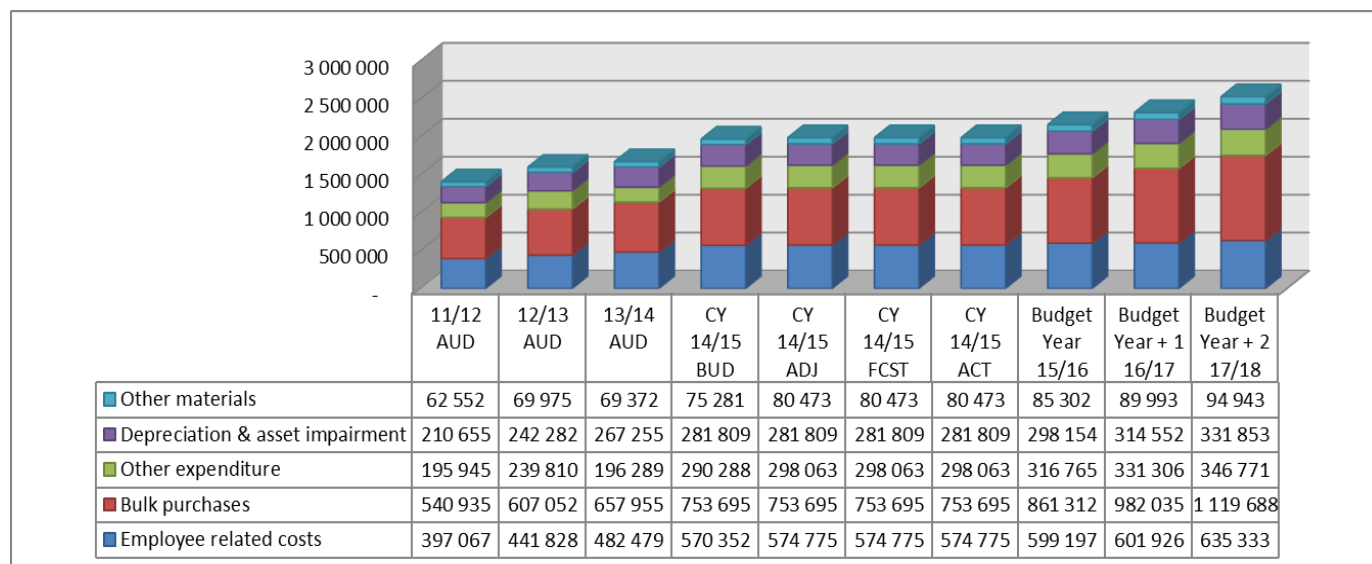
| Description | 2011/12 | 2012/13 | 2013/14 | Current Year 2014/15 | | | | 2015/16 Medium Term Revenue & Expenditure Framework | | |
|---------------------------------|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|-----------------------------------------------------|------------------------|------------------------|
| R thousand | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2015/16 | Budget Year +1 2016/17 | Budget Year +2 2017/18 |
| Expenditure By Type | | | | | | | | | | |
| Employee related costs | 397 067 | 441 828 | 482 479 | 570 352 | 574 775 | 574 775 | 574 775 | 599 197 | 601 926 | 635 333 |
| Remuneration of councillors | 17 954 | 19 019 | 24 074 | 28 387 | 28 387 | 28 387 | 28 387 | 31 225 | 33 099 | 35 085 |
| Debt impairment | 82 208 | 28 533 | 221 318 | 45 775 | 117 084 | 117 084 | 117 084 | 109 675 | 114 062 | 117 484 |
| Depreciation & asset impairment | 210 655 | 242 282 | 267 255 | 281 809 | 281 809 | 281 809 | 281 809 | 298 154 | 314 552 | 331 853 |
| Finance charges | 45 285 | 45 421 | 55 300 | 58 067 | 53 067 | 53 067 | 53 067 | 56 035 | 51 944 | 48 308 |
| Bulk purchases | 540 935 | 607 052 | 657 955 | 753 695 | 753 695 | 753 695 | 753 695 | 861 312 | 982 035 | 1 119 688 |
| Contracted services | 146 686 | 165 825 | 175 811 | 227 335 | 220 335 | 220 335 | 220 335 | 239 471 | 256 472 | 274 926 |
| Transfers and grants | 19 893 | 32 510 | 25 462 | 39 420 | 39 620 | 39 620 | 39 620 | 41 439 | 43 718 | 46 123 |
| Other expenditure | 195 945 | 239 810 | 196 289 | 290 288 | 298 063 | 298 063 | 298 063 | 316 765 | 331 306 | 346 771 |
| Repairs & maintenance | 62 552 | 69 975 | 69 372 | 75 281 | 80 473 | 80 473 | 80 473 | 85 302 | 89 993 | 94 943 |
| Total Expenditure | 1 719 180 | 1 892 255 | 2 175 316 | 2 370 408 | 2 447 307 | 2 447 307 | 2 447 307 | 2 638 575 | 2 819 109 | 3 050 512 |

- The budgeted allocation for employee related costs for the 2015/16 financial year totals R599 million, which equals 23 per cent of the total operating expenditure, Employee related cost overall will increase by 4.4%. The *Salary and Wage Collective Agreement* for the period 01 July 2012 to 30 June 2015 has come to an end. The South African Local Government Association issued a press release on 03 March 2015 indicating that it tabled the following offer for salaries and wages increase:
 - 2015/16 Financial Year – 4.4 per cent (inflation linked)
 - 2016/17 and 2017/18 Financial Years – inflation related increase plus additional 0.25 per cent
- As the negotiations are still underway, municipalities are advised to use the above proposed guidelines in preparing their 2015/2016 budgets.
- The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation (Government Gazette no.38433) in this regard has been taken into account in compiling the City's budget and increase of 10% was factored in.
- The provision of debt impairment was determined based on an annual collection rate of 96 per cent. For the 2015/16 financial year this amount equates to R68 095 194 and increased to R72 943 572 by 2017/18. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.
- Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate of asset consumption. Budget appropriations in this regard total R298 153 966 for the 2015/16 financial and equates to 11.3 per cent of the total operating expenditure.

- Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital). Finance charges make up 2.12 per cent or R56 034 795 of operating expenditure excluding annual capital redemption of R28 072 539. Total loans acquired by the City will be R519 174 997.
- Bulk purchases are directly informed by the purchase of electricity from Eskom and water from Rand Water. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. **The expenditures exclude distribution losses.**
- In line with the City's repairs and maintenance plan this group of expenditure has been prioritised to ensure sustainability of the City's infrastructure. For 2015/16 the appropriation against this group of expenditure is R85 301 569 and continues to grow at 5.50 and 5.50 per cent for the two outer years.
- Other general expenses have been identified as one of the highest cost drivers for the City. In the 2015/16 financial year, this group of expenditure totals R361 765 046 or 12.01 per cent of the total budget this includes non-cash items of about R104 343 004 (year-end provisions & municipal charges: service consumed). **Breakdown of Other Expenditures:**
 - ✓ Collection costs = R29 079 093
 - ✓ Election expenses = R600 000
 - ✓ Enterprise Development Program = R1 044 000
 - ✓ Incubator Program = R3 648 200
 - ✓ Cooperatives Initiative = R4 451 580
 - ✓ Establishment of Property Development Entity = R7 500 000
 - ✓ Settlement Fees & Legal Costs = R19 720 000
 - ✓ Transport Costs (Fuel & e-tags) = R15 852 512
 - ✓ **Special Projects (Political Office) = R4 666 056**
 - ✓ **Special Projects (Other Depart) = R8 333 944**
 - IGR=R53 463
 - Corporate Support Services=R796 637
 - IEM=R527 411
 - OR Tambo Games=R2 000 000
 - HIV/Aids programmes=R3 212 208
 - Heritage programmes=R250 247
 - Public Safety Awareness=R71 462
 - Rural Dev. CRDP=R1 422 516
 - ✓ Other expenses = R117 526 658 (telephones & new service connections)

The following table gives a breakdown of the main expenditure categories for the 2015/16 financial year.

Figure 6 Expenditure by major type for the 2015/2016 financial year



1.5.1 Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the City's current infrastructure, the 2015/16 budget and MTREF provide about 3.23 per cent growth in the area of asset maintenance, as informed by the availability of resources and asset renewal strategy. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services. Considering these cost drivers, **the following table is a consolidation of all the expenditures associated with repairs and maintenance:**

Table 11 Operational repairs and maintenance

| Repairs and Maintenance by Expenditure Item | 2011/12 | 2012/13 | 2013/14 | Current Year 2014/15 | | | | 2015/16 Medium Term Revenue & Expenditure Framework | | |
|--------------------------------------------------|--------------------|--------------------|--------------------|----------------------|--------------------|-----------------------|----------------------|--------------------------------------------------------|---------------------------|---------------------------|
| | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2015/16 | Budget Year +1 2016/17 | Budget Year +2 2017/18 |
| Employee related costs | – | – | – | 161 618 | 11 772 | 11 772 | 11 772 | 16 690 | 17 650 | 17 887 |
| Other materials | 11 564 | 64 553 | 63 681 | 52 402 | 72 839 | 72 839 | 72 839 | 77 210 | 81 456 | 85 936 |
| Contracted Services | 47 435 | 10 480 | 5 691 | 22 879 | 7 634 | 7 634 | 7 634 | 8 092 | 8 537 | 9 007 |
| Other Expenditure | 3 553 | – | – | – | – | – | – | – | – | – |
| Total Repairs and Maintenance Expenditure | 62 552 | 75 034 | 69 372 | 236 899 | 92 246 | 92 246 | 92 246 | 101 992 | 107 643 | 112 830 |

During the compilation of the 2015/2016 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the City's infrastructure and historic deferred maintenance. The actual performance on repairs & maintenance during 2013/2014 financial year indicated a reduction of 7.54% when compared to audited outcome of 2012/13 financial year (R75 034 million) due to movement of expenditure in operating budget to capital budget based on the nature of the transactions.

During the 2014/15 Adjustment Budget this allocation was adjusted upwards to R80 473 179 or 7 per cent. This strategic imperative remains a priority as can be seen by the budget appropriations over the MTREF. The total allocation for 2015/16 equates to R85 301 569 increased by R4 828 391 and continues to grow at 5.50 per cent and 5.50 per cent respectively over the MTREF. In relation to the total operating expenditure budget, repairs and maintenance comprises of 3.23, 3.19 and 3.1 per cent for the respective financial years of the MTREF.

National Treasury guidelines indicate that repairs & maintenance expenditure budget should be **8 per cent of the total value of the assets**. Mogale City total value of assets is R5 737 156 363 as per 2013/14 audited outcome, which means we need R458 972 509 to fund repairs & maintenance which is unaffordable for the City.

The table below provides a breakdown of the repairs and maintenance in relation to asset class:

Table 12 Repairs and maintenance per asset class

| Description | 2011/12 | 2012/13 | 2013/14 | Current Year 2014/15 | | | | 2015/16 Medium Term Revenue & Expenditure Framework | |
|-------------------------------------------------------|------------------------|------------------------|------------------------|----------------------|-----------------|--------------------|---------------------|-----------------------------------------------------|------------------------|
| | | | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2015/16 | Budget Year +1 2016/17 | Budget Year +2 2017/18 |
| R thousand | Audited Outcome | Audited Outcome | Audited Outcome | | | | | | |
| EXPENDITURE OTHER ITEMS | | | | | | | | | |
| Depreciation & asset impairment | 210 655 | 242 282 | 267 571 | 281 809 | 281 809 | 281 809 | 298 154 | 314 552 | 331 853 |
| Repairs and Maintenance by Asset Class | 62 552 | 69 975 | 69 372 | 75 370 | 80 473 | 80 473 | 85 301 | 89 993 | 94 943 |
| Infrastructure - Road transport | 10 730 | 22 765 | 5 691 | 8 034 | 7 634 | 7 634 | 8 092 | 8 537 | 9 007 |
| Infrastructure - Electricity | 20 898 | 24 463 | 10 472 | 28 878 | 34 611 | 34 611 | 36 971 | 39 004 | 41 149 |
| Infrastructure - Water | 6 127 | 7 571 | 2 887 | 5 392 | 5 402 | 5 402 | 5 727 | 6 041 | 6 374 |
| Infrastructure - Sanitation | 5 358 | 10 348 | 9 482 | 9 574 | 9 098 | 9 098 | 9 644 | 10 174 | 10 734 |
| Infrastructure - Other | 4 541 | 3 555 | 6 039 | 3 882 | 3 882 | 3 882 | 4 115 | 4 341 | 4 580 |
| Infrastructure | 47 653 | 68 702 | 34 572 | 55 760 | 60 627 | 60 627 | 64 548 | 68 098 | 71 843 |
| Community | 6 352 | 6 137 | 6 189 | 7 509 | 7 501 | 7 501 | 7 951 | 8 388 | 8 850 |
| Other assets | 8 546 | -4 864 | 28 612 | 12 102 | 12 345 | 12 345 | 12 803 | 13 507 | 14 250 |
| TOTAL EXPENDITURE OTHER ITEMS | 273 207 | 312 257 | 336 943 | 357 179 | 362 282 | 362 282 | 383 455 | 404 546 | 426 796 |
| Renewal of Existing Assets as % of total capex | 45.1% | 42.5% | 42.5% | 34.1% | 27.1% | 27.1% | 45.5% | 39.9% | 33.0% |
| Renewal of Existing Assets as % of deprecn" | 39.4% | 58.1% | 58.5% | 58.5% | 44.4% | 44.4% | 48.7% | 100.3% | 90.2% |
| R&M as a % of PPE | 1.1% | 1.2% | 1.2% | 1.3% | 1.4% | 1.4% | 1.5% | 1.4% | 1.2% |
| Renewal and R&M as a % of PPE | 3.0% | 4.0% | 4.0% | 4.0% | 4.0% | 4.0% | 4.0% | 6.0% | 5.0% |

For the 2015/16 financial year 76 per cent or R64 548 millions of total repairs and maintenance will be spent on infrastructure assets. Electricity infrastructure has received a significant proportion of this allocation totalling 43 per cent (R36 971 million), followed by other assets at 15 per cent (R12 803 million), sanitation at 11 per cent (R9 644 million) road infrastructure at 9 per cent (R8 092 million), water at 9 per cent (R5 727 million) and community assets at 9 per cent or R8 388 million of total repairs and maintenance.

1.5.2 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the City's Indigent Management Policy. The target is to register 20 000 or more indigents households during the 2015/16 financial year, a process reviewed annually. Detail relating to free services, cost of free basis services, revenue lost owing to free basic services as well as basic service delivery measurement is contained in Table 24 MBRR A10 (Basic Service Delivery Measurement) on page 52.

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

1.6 Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

Table 13 2015/16 Medium-term capital budget per standard classification

| | Adjusted Budget | Percentage | 2015/16 Budget Year | Percentage | 2016/17 Budget Year | Percentage | 2017/18 Budget Year | Percentage |
|---------------------------------------|-----------------|------------|---------------------|------------|---------------------|------------|---------------------|------------|
| Capital Expenditure - Standard | | | | | | | | |
| Executive and council | 25 611 | 6% | 3 971 | 1% | 50 610 | 6% | 9 000 | 1% |
| Budget and treasury office | 3 118 | 1% | 1 000 | 0% | 2 000 | 0% | 0 | 0% |
| Corporate services | 2 082 | 0% | 5 247 | 2% | 3 905 | 0% | 3 678 | 0% |
| Community and social services | 6 926 | 1% | 8 203 | 3% | 2 317 | 0% | 8 018 | 1% |
| Sport and recreation | 17 353 | 4% | 25 784 | 8% | 55 980 | 7% | 14 430 | 2% |
| Public safety | 268 | 0% | - | 0% | 800 | 0% | 0 | 0% |
| Housing | - | 0% | - | 0% | - | 0% | 0 | 0% |
| Planning and development | 69 832 | 15% | 76 998 | 24% | 103 251 | 13% | 139 310 | 15% |
| Road transport | 73 830 | 16% | 49 318 | 15% | 112 198 | 14% | 176 459 | 19% |
| Environmental protection | 27 783 | 6% | 15 129 | 5% | 27 963 | 4% | 27 574 | 3% |
| Electricity | 102 735 | 22% | 51 847 | 16% | 131 050 | 17% | 224 650 | 25% |
| Water | 81 929 | 18% | 20 801 | 7% | 121 390 | 15% | 115 283 | 13% |
| Waste water management | 33 563 | 7% | 39 379 | 12% | 159 921 | 20% | 160 307 | 18% |
| Waste management | 10 378 | 2% | 12 310 | 4% | 13 893 | 2% | 10 100 | 1% |
| Other | 6 502 | 1% | 9 648 | 3% | 6 075 | 1% | 18 150 | 2% |
| Total Capital Expenditure | 461 909 | | 319 636 | | 791 352 | | 906 959 | |

The table above provides a breakdown of the capital budget to be spent per standard classification. Some of the important projects to be undertaken over the medium-term includes, amongst others:

- Land acquisition – R 19 000 million funded by own funds,
- Site & Services installation – R5 000 million funded by own funds,
- Installation of Enviro-Loose Toilets – R3 000 million own funds,
- Construction of new offices (Economic Services) – R9 926 million funded from own funds,
- NDPG Capital grant – R40 260 million,
- Kagiso Cemetery Upgrading Phase 2 – R7 657 million funded by own funds (R4 657 million) & MIG (R3 000 million),
- West Haven Cemetery – R2 248 million funded by MIG,
- Construction of new landfill or transfer station: Phase 1 – R1 050 million funded by own funds,
- Landfill site upgrade Phase 4 – R11 260 million financed by MIG (R7 354 million) & own funding (R3 906 million);
- Refurbishment of Kagiso Pre-Primary School – R4 000 million to be funded by own funds;
- Upgrading of Bob Van Reenen Stadium – R600 000 funded by own funds,
- Upgrade of 4 Sports Complexes – totalling R17 719 million funded by MIG (R10 969 million) and own funds (R6 750 million),
- Upgrade or Rehabilitation of swimming pools (Kagiso & Azaadville) – R3 351 million funded by MIG,
- Chamdor/Leratong 2x40 MVA Transformers – R12 500 million funded by DBSA loan roll over,
- Upgrading of transmission line between Factoria & Libertas – totalling R23 647 million funded by own funds (R12 647 million) & DBSA loan roll over of R11 million.
- Roads Resurfacing & Rehabilitation – R15 000 million funded by own fund;
- PR16 Sinqobile Phase 3 Roads & Stormwater – R13 468 million funded by MIG.
- Pre-Payment Water Meters Phase 3 – R12 901 million funded by MIG
- Magaliesburg Water Care Works Phase 1 – R8 412 million funded by MIG.

Furthermore pages 75 to 77 contain a detail breakdown of the capital budget per project over the medium-term.

1.7 Annual Budget Tables

The following eighteen pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2015/16 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.

Table 14 MBRR Table A1 - Budget Summary

GT481 Mogale City - Table A1 Budget Summary

| Description | 2011/12 | 2012/13 | 2013/14 | Current Year 2014/15 | | | | 2015/16 Medium Term Revenue & Expenditure Framework | | |
|----------------------------------------------------------------------|------------------|------------------|------------------|----------------------|------------------|--------------------|-------------------|-----------------------------------------------------|------------------------|------------------------|
| | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2015/16 | Budget Year +1 2016/17 | Budget Year +2 2017/18 |
| R thousands | | | | | | | | | | |
| Financial Performance | | | | | | | | | | |
| Property rates | 260 500 | 293 406 | 340 748 | 348 891 | 372 962 | 372 962 | 372 962 | 394 872 | 416 590 | 438 669 |
| Service charges | 951 363 | 1 068 153 | 1 122 800 | 1 280 061 | 1 269 991 | 1 269 991 | 1 269 991 | 1 406 060 | 1 570 669 | 1 754 887 |
| Investment revenue | 4 717 | 13 537 | 12 624 | 1 468 | 5 839 | 5 839 | 5 839 | 6 000 | 6 330 | 6 665 |
| Transfers recognised - operational | 213 806 | 239 980 | 236 923 | 250 984 | 253 630 | 253 630 | 253 630 | 265 305 | 291 874 | 323 746 |
| Other own revenue | 253 270 | 122 076 | 293 448 | 119 903 | 133 826 | 133 826 | 133 826 | 111 595 | 117 733 | 123 973 |
| Total Revenue (excluding capital transfers and contributions) | 1 683 657 | 1 737 150 | 2 006 544 | 2 001 308 | 2 036 248 | 2 036 248 | 2 036 248 | 2 183 832 | 2 403 196 | 2 647 940 |
| Employee costs | 397 068 | 441 828 | 485 486 | 570 352 | 574 775 | 574 775 | 574 775 | 599 197 | 601 926 | 635 333 |
| Remuneration of councillors | 17 954 | 19 019 | 24 074 | 28 387 | 28 387 | 28 387 | 28 387 | 31 225 | 33 099 | 35 085 |
| Depreciation & asset impairment | 210 655 | 242 282 | 267 571 | 281 809 | 281 809 | 281 809 | 281 809 | 298 154 | 314 552 | 331 853 |
| Finance charges | 45 285 | 45 421 | 55 300 | 58 067 | 53 067 | 53 067 | 53 067 | 56 035 | 51 944 | 48 308 |
| Materials and bulk purchases | 603 487 | 677 027 | 727 328 | 829 014 | 834 168 | 834 168 | 834 168 | 946 613 | 1 072 028 | 1 214 630 |
| Transfers and grants | 19 893 | 32 510 | 25 462 | 40 650 | 39 620 | 39 620 | 39 620 | 41 439 | 43 718 | 46 123 |
| Other expenditure | 424 839 | 434 167 | 590 094 | 562 130 | 635 481 | 635 481 | 635 481 | 665 911 | 701 841 | 739 181 |
| Total Expenditure | 1 719 182 | 1 892 255 | 2 175 316 | 2 370 408 | 2 447 307 | 2 447 307 | 2 447 307 | 2 638 575 | 2 819 109 | 3 050 512 |
| Surplus/(Deficit) | (35 525) | (155 104) | (168 772) | (369 100) | (411 060) | (411 060) | (411 060) | (454 743) | (415 913) | (402 573) |
| Transfers recognised - capital | 84 758 | 109 609 | 105 109 | 122 012 | 118 250 | 118 250 | 118 250 | 136 636 | 152 791 | 165 695 |
| Contributions recognised - capital & contributed a | — | — | — | — | — | — | — | — | — | — |
| Surplus/(Deficit) after capital transfers & contributions | 49 233 | (45 495) | (63 663) | (247 088) | (292 810) | (292 810) | (292 810) | (318 108) | (263 122) | (236 878) |
| Share of surplus/ (deficit) of associate | — | — | — | — | — | — | — | — | — | — |
| Surplus/(Deficit) for the year | 49 233 | (45 495) | (63 663) | (247 088) | (292 810) | (292 810) | (292 810) | (318 108) | (263 122) | (236 878) |
| Capital expenditure & funds sources | | | | | | | | | | |
| Capital expenditure | 183 773 | 331 533 | 241 823 | 483 996 | 461 909 | 461 909 | 461 909 | 319 636 | 791 352 | 906 959 |
| Transfers recognised - capital | 70 424 | 124 636 | 105 281 | 122 012 | 118 250 | 118 250 | 118 250 | 136 636 | 152 791 | 165 695 |
| Public contributions & donations | — | — | — | — | 10 000 | 10 000 | 10 000 | — | — | — |
| Borrowing | (9 352) | 167 773 | 23 221 | 239 500 | 239 500 | 239 500 | 239 500 | 53 200 | — | — |
| Internally generated funds | 122 700 | 39 124 | 113 321 | 122 484 | 94 159 | 94 159 | 94 159 | 129 800 | 638 561 | 741 264 |
| Total sources of capital funds | 183 773 | 331 533 | 241 823 | 483 996 | 461 909 | 461 909 | 461 909 | 319 636 | 791 352 | 906 959 |
| Financial position | | | | | | | | | | |
| Total current assets | 404 647 | 537 806 | 527 002 | 415 721 | 468 667 | 468 667 | 468 667 | 432 972 | 434 604 | 437 723 |
| Total non current assets | 5 746 372 | 5 795 898 | 5 791 091 | 5 984 232 | 5 777 153 | 5 777 153 | 5 777 153 | 5 800 111 | 6 727 711 | 7 774 726 |
| Total current liabilities | 518 342 | 580 479 | 632 744 | 522 238 | 509 980 | 509 980 | 509 980 | 641 090 | 1 368 762 | 2 037 074 |
| Total non current liabilities | 345 716 | 521 183 | 514 319 | 589 559 | 627 783 | 627 783 | 627 783 | 712 127 | 681 341 | 580 117 |
| Community wealth/Equity | 5 286 960 | 5 232 042 | 5 171 030 | 5 288 156 | 5 108 057 | 5 108 057 | 5 108 057 | 4 879 867 | 5 112 212 | 5 595 258 |
| Cash flows | | | | | | | | | | |
| Net cash from (used) operating | 173 454 | 207 386 | 259 954 | 250 015 | 158 555 | 158 555 | 158 555 | 232 369 | 197 506 | 239 767 |
| Net cash from (used) investing | (159 367) | (323 911) | (220 893) | (481 996) | (461 909) | (461 909) | (461 909) | (319 636) | (791 352) | (906 959) |
| Net cash from (used) financing | (9 647) | 162 914 | (32 519) | 211 606 | 208 507 | 208 507 | 208 507 | (41 173) | (33 684) | (106 093) |
| Cash/cash equivalents at the year end | 43 775 | 90 163 | 96 705 | 6 892 | 1 858 | 1 858 | 1 858 | (126 582) | (754 112) | (1 527 397) |
| Cash backing/surplus reconciliation | | | | | | | | | | |
| Cash and investments available | 82 019 | 137 271 | 150 639 | 68 975 | 63 942 | 63 942 | 63 942 | (63 023) | (690 553) | (1 463 838) |
| Application of cash and investments | 191 598 | 178 309 | 261 784 | 52 203 | 54 084 | 54 084 | 884 | 68 712 | 117 025 | 102 407 |
| Balance - surplus (shortfall) | (109 579) | (41 038) | (111 145) | 16 772 | 9 858 | 9 858 | 63 058 | (131 735) | (807 578) | (1 566 245) |
| Asset management | | | | | | | | | | |
| Asset register summary (WDV) | 5 707 616 | 5 748 171 | 5 736 537 | 5 921 528 | 5 715 070 | 5 715 070 | 5 736 552 | 5 736 552 | 6 664 152 | 7 711 167 |
| Depreciation & asset impairment | 210 655 | 242 282 | 267 571 | 281 809 | 281 809 | 281 809 | 298 154 | 298 154 | 314 552 | 331 853 |
| Renewal of Existing Assets | 82 933 | 140 819 | 149 664 | 164 964 | 125 248 | 125 248 | 125 248 | 145 330 | 315 539 | 299 344 |
| Repairs and Maintenance | 62 552 | 69 975 | 69 372 | 75 370 | 80 473 | 80 473 | 85 301 | 85 301 | 89 993 | 94 943 |
| Free services | | | | | | | | | | |
| Cost of Free Basic Services provided | 91 619 | 96 200 | 2 018 | 111 111 | 111 111 | 111 111 | 126 318 | 126 318 | 133 897 | 141 931 |
| Revenue cost of free services provided | 104 643 | 109 876 | 2 147 914 | 126 906 | 126 906 | 126 906 | 74 216 | 74 216 | 75 602 | 77 434 |
| Households below minimum service level | | | | | | | | | | |
| Water: | 5 | 5 | 8 | — | — | — | — | — | — | — |
| Sanitation/sewerage: | 2 | 1 | 7 | — | — | — | — | — | — | — |
| Energy: | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Refuse: | — | — | 24 | 12 | 12 | 12 | 12 | 12 | 12 | 12 |

Explanatory notes to MBRR Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the City's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
 - a. Capital expenditure is balanced by capital funding sources, of which
 - i. Transfers recognised is reflected on the Financial Performance Budget;
 - ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget if borrowing is used to fund capital projects.
4. The Cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and consequently many of its obligations are not cash-backed. This places the municipality in a very vulnerable financial position, as the recent slow-down in revenue collections highlighted. .
5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase.

Table 15 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

GT481 Mogale City - Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

| Standard Classification Description | Ref | 2011/12 | 2012/13 | 2013/14 | Current Year 2014/15 | | | 2015/16 Medium Term Revenue & Expenditure Framework | | |
|--------------------------------------------|----------|------------------|------------------|------------------|----------------------|------------------|--------------------|-----------------------------------------------------|------------------------|------------------------|
| | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2015/16 | Budget Year +1 2016/17 | Budget Year +2 2017/18 |
| Revenue - Standard | 1 | | | | | | | | | |
| Governance and administration | | 338 432 | 357 856 | 469 837 | 417 396 | 467 917 | 467 917 | 483 796 | 511 020 | 540 030 |
| Executive and council | | 2 234 | 1 776 | 3 149 | 7 736 | 4 100 | 4 100 | 4 646 | 4 116 | 4 359 |
| Budget and treasury office | | 327 177 | 349 993 | 452 905 | 395 655 | 457 175 | 457 175 | 473 941 | 501 432 | 529 883 |
| Corporate services | | 9 021 | 6 087 | 13 783 | 14 005 | 6 642 | 6 642 | 5 210 | 5 472 | 5 787 |
| Community and public safety | | 161 533 | 155 902 | 269 610 | 129 843 | 133 539 | 133 539 | 130 140 | 143 972 | 156 908 |
| Community and social services | | 83 425 | 124 525 | 79 298 | 85 712 | 87 410 | 87 410 | 83 883 | 94 246 | 111 105 |
| Sport and recreation | | 10 272 | 20 208 | 19 659 | 20 076 | 22 081 | 22 081 | 22 181 | 24 326 | 19 057 |
| Public safety | | 67 755 | 11 089 | 170 593 | 23 988 | 23 993 | 23 993 | 24 017 | 25 338 | 26 680 |
| Housing | | 75 | 80 | 60 | 66 | 56 | 56 | 59 | 62 | 66 |
| Health | | 5 | - | - | - | - | - | - | - | - |
| Economic and environmental services | | 134 436 | 76 510 | 77 668 | 92 541 | 88 106 | 88 106 | 70 399 | 79 911 | 79 760 |
| Planning and development | | 2 389 | 4 175 | 16 095 | 28 889 | 33 679 | 33 679 | 47 212 | 55 448 | 54 000 |
| Road transport | | 30 429 | 66 325 | 60 811 | 62 657 | 54 162 | 54 162 | 22 907 | 24 167 | 25 448 |
| Environmental protection | | 101 618 | 6 010 | 762 | 996 | 265 | 265 | 281 | 296 | 312 |
| Trading services | | 1 133 967 | 1 256 479 | 1 294 539 | 1 483 541 | 1 464 911 | 1 464 911 | 1 636 132 | 1 821 084 | 2 036 937 |
| Electricity | | 659 252 | 751 573 | 762 198 | 895 408 | 887 651 | 887 651 | 954 463 | 1 072 585 | 1 208 871 |
| Water | | 183 413 | 203 559 | 223 631 | 253 302 | 247 044 | 247 044 | 290 482 | 324 359 | 363 652 |
| Waste water management | | 169 233 | 155 275 | 144 789 | 167 874 | 165 448 | 165 448 | 181 883 | 205 325 | 221 228 |
| Waste management | | 122 069 | 146 071 | 163 921 | 166 958 | 164 767 | 164 767 | 209 304 | 218 815 | 243 186 |
| Other | 4 | 47 | 13 | - | - | 24 | 24 | - | - | - |
| Total Revenue - Standard | 2 | 1 768 415 | 1 846 760 | 2 111 653 | 2 123 320 | 2 154 498 | 2 154 498 | 2 320 467 | 2 555 987 | 2 813 635 |
| Expenditure - Standard | | | | | | | | | | |
| Governance and administration | | 401 941 | 515 546 | 513 446 | 580 937 | 588 629 | 588 629 | 638 475 | 632 398 | 657 904 |
| Executive and council | | 34 560 | 64 192 | 79 969 | 94 610 | 94 140 | 94 140 | 97 275 | 102 899 | 108 749 |
| Budget and treasury office | | 196 578 | 283 099 | 240 871 | 258 982 | 271 260 | 271 260 | 274 600 | 279 635 | 285 519 |
| Corporate services | | 170 802 | 168 255 | 192 607 | 227 346 | 223 228 | 223 228 | 266 601 | 249 863 | 263 636 |
| Community and public safety | | 200 511 | 221 622 | 387 582 | 306 801 | 346 151 | 346 151 | 336 293 | 354 528 | 373 013 |
| Community and social services | | 36 773 | 37 588 | 42 474 | 63 317 | 63 295 | 63 295 | 65 479 | 69 161 | 72 980 |
| Sport and recreation | | 56 717 | 66 166 | 83 341 | 101 420 | 98 259 | 98 259 | 89 963 | 95 035 | 100 281 |
| Public safety | | 93 404 | 110 481 | 253 375 | 133 768 | 175 649 | 175 649 | 170 049 | 178 918 | 187 707 |
| Housing | | 8 781 | 7 148 | 8 094 | 8 038 | 8 689 | 8 689 | 10 530 | 11 127 | 11 743 |
| Health | | 4 836 | 238 | 298 | 258 | 259 | 259 | 271 | 286 | 302 |
| Economic and environmental services | | 181 653 | 202 227 | 177 541 | 221 017 | 218 777 | 218 777 | 251 949 | 265 955 | 280 613 |
| Planning and development | | 27 952 | 25 187 | 26 794 | 35 791 | 35 821 | 35 821 | 58 233 | 61 501 | 64 897 |
| Road transport | | 145 452 | 170 234 | 148 509 | 182 774 | 180 626 | 180 626 | 191 296 | 201 901 | 213 022 |
| Environmental protection | | 8 249 | 6 806 | 2 237 | 2 451 | 2 329 | 2 329 | 2 420 | 2 554 | 2 694 |
| Trading services | | 934 483 | 952 250 | 1 095 940 | 1 260 428 | 1 291 001 | 1 291 001 | 1 409 642 | 1 563 890 | 1 736 515 |
| Electricity | | 520 833 | 553 218 | 624 341 | 702 833 | 728 344 | 728 344 | 798 449 | 897 178 | 1 008 722 |
| Water | | 221 253 | 237 615 | 268 267 | 299 196 | 306 352 | 306 352 | 337 616 | 375 662 | 418 262 |
| Waste water management | | 87 332 | 65 577 | 78 693 | 114 703 | 113 328 | 113 328 | 118 475 | 127 363 | 136 945 |
| Waste management | | 105 065 | 95 660 | 124 638 | 143 697 | 142 977 | 142 977 | 155 102 | 163 687 | 172 586 |
| Other | 4 | 594 | 610 | 807 | 1 225 | 2 750 | 2 750 | 2 215 | 2 339 | 2 468 |
| Total Expenditure - Standard | 3 | 1 719 182 | 1 892 255 | 2 175 316 | 2 370 408 | 2 447 307 | 2 447 307 | 2 638 575 | 2 819 109 | 3 050 512 |
| Surplus/(Deficit) for the year | | 49 233 | (45 495) | (63 663) | (247 088) | (292 810) | (292 810) | (318 108) | (263 122) | (236 878) |

Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note the total revenue on this table includes capital revenues (transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures.
4. Other functions such as that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under the Budget and Treasury Office.

Table 16 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

GT481 Mogale City - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

| Vote Description | Ref | 2011/12 | 2012/13 | 2013/14 | Current Year 2014/15 | | | 2015/16 Medium Term Revenue & Expenditure Framework | | |
|-----------------------------------------------|-----|------------------|------------------|------------------|----------------------|------------------|--------------------|-----------------------------------------------------|------------------------|------------------------|
| | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2015/16 | Budget Year +1 2016/17 | Budget Year +2 2017/18 |
| R thousand | | | | | | | | | | |
| Revenue by Vote | 1 | | | | | | | | | |
| Vote 1 - POLITICAL OFFICE | | 142 | 2 | 953 | 3 709 | 5 | 5 | 0 | 0 | 0 |
| Vote 2 - MUNICIPAL MANAGERS OFFICE | | - | - | - | 934 | 943 | 943 | - | - | - |
| Vote 3 - CHIEF OPERATING OFFICER | | 2 096 | 1 784 | 2 213 | 3 093 | 3 166 | 3 166 | 4 647 | 4 118 | 4 361 |
| Vote 4 - CORPORATE SUPPORT SERVICES | | 8 994 | 5 184 | 13 698 | 12 071 | 6 628 | 6 628 | 5 268 | 5 533 | 5 852 |
| Vote 5 - MUNICIPAL FINANCIAL SERVICES | | 327 101 | 349 993 | 452 905 | 395 655 | 447 175 | 447 175 | 473 941 | 501 432 | 529 883 |
| Vote 6 - INTEGRATED ENVIRONMENTAL MANAGE | | 237 124 | 175 520 | 176 423 | 180 607 | 181 944 | 181 944 | 192 947 | 218 229 | 221 486 |
| Vote 7 - SOCIAL SERVICES | | 167 096 | 157 314 | 279 199 | 142 814 | 137 678 | 137 678 | 139 994 | 140 674 | 159 716 |
| Vote 8 - ECONOMIC SERVICES | | 2 594 | 4 300 | 16 201 | 31 004 | 35 272 | 35 272 | 47 306 | 55 547 | 54 105 |
| Vote 9 - CIVIL ENGINEERING SERVICE | | 363 941 | 401 085 | 407 863 | 458 025 | 444 034 | 444 034 | 501 902 | 557 870 | 629 361 |
| Vote 10 - ENERGY SERVICES | | 659 328 | 751 576 | 762 198 | 895 408 | 897 651 | 897 651 | 954 463 | 1 072 585 | 1 208 871 |
| Vote 11 - [NAME OF VOTE 11] | | - | - | - | - | - | - | - | - | - |
| Vote 12 - [NAME OF VOTE 12] | | - | - | - | - | - | - | - | - | - |
| Vote 13 - [NAME OF VOTE 13] | | - | - | - | - | - | - | - | - | - |
| Vote 14 - [NAME OF VOTE 14] | | - | - | - | - | - | - | - | - | - |
| Vote 15 - [NAME OF VOTE 15] | | - | - | - | - | - | - | - | - | - |
| Total Revenue by Vote | 2 | 1 768 415 | 1 846 760 | 2 111 653 | 2 123 320 | 2 154 498 | 2 154 498 | 2 320 467 | 2 555 987 | 2 813 635 |
| Expenditure by Vote to be appropriated | 1 | | | | | | | | | |
| Vote 1 - POLITICAL OFFICE | | 27 647 | 48 744 | 58 491 | 65 133 | 65 844 | 65 844 | 69 260 | 73 285 | 77 506 |
| Vote 2 - MUNICIPAL MANAGERS OFFICE | | 5 855 | 9 630 | 13 389 | 16 585 | 16 432 | 16 432 | 16 365 | 17 296 | 18 261 |
| Vote 3 - CHIEF OPERATING OFFICER | | 42 226 | 50 816 | 45 905 | 71 302 | 68 278 | 68 278 | 63 081 | 66 612 | 70 302 |
| Vote 4 - CORPORATE SUPPORT SERVICES | | 64 345 | 81 552 | 88 283 | 122 824 | 121 127 | 121 127 | 159 424 | 136 708 | 144 282 |
| Vote 5 - MUNICIPAL FINANCIAL SERVICES | | 178 728 | 283 099 | 240 870 | 258 982 | 271 260 | 271 260 | 274 527 | 279 559 | 289 576 |
| Vote 6 - INTEGRATED ENVIRONMENTAL MANAGE | | 180 388 | 153 531 | 178 974 | 213 862 | 209 780 | 209 780 | 212 522 | 224 342 | 236 628 |
| Vote 7 - SOCIAL SERVICES | | 184 845 | 201 584 | 353 971 | 248 885 | 290 515 | 290 515 | 296 677 | 312 692 | 328 891 |
| Vote 8 - ECONOMIC SERVICES | | 36 630 | 32 292 | 35 664 | 44 149 | 46 327 | 46 327 | 70 046 | 73 983 | 78 087 |
| Vote 9 - CIVIL ENGINEERING SERVICE | | 468 000 | 478 487 | 536 338 | 627 031 | 629 831 | 629 831 | 678 179 | 737 408 | 798 190 |
| Vote 10 - ENERGY SERVICES | | 530 517 | 552 520 | 623 431 | 701 654 | 727 914 | 727 914 | 798 494 | 897 225 | 1 008 790 |
| Vote 11 - [NAME OF VOTE 11] | | - | - | - | - | - | - | - | - | - |
| Vote 12 - [NAME OF VOTE 12] | | - | - | - | - | - | - | - | - | - |
| Vote 13 - [NAME OF VOTE 13] | | - | - | - | - | - | - | - | - | - |
| Vote 14 - [NAME OF VOTE 14] | | - | - | - | - | - | - | - | - | - |
| Vote 15 - [NAME OF VOTE 15] | | - | - | - | - | - | - | - | - | - |
| Total Expenditure by Vote | 2 | 1 719 182 | 1 892 255 | 2 175 316 | 2 370 408 | 2 447 307 | 2 447 307 | 2 638 575 | 2 819 109 | 3 050 512 |
| Surplus/(Deficit) for the year | 2 | 49 233 | (45 495) | (63 663) | (247 088) | (292 810) | (292 810) | (318 108) | (263 122) | (236 878) |

Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of Mogale City. This means it is possible to present the operating surplus or deficit of a vote.
2. The following table is an analysis of the surplus or deficit for the electricity and water trading services.

Table 17 Surplus/ (Deficit) calculations for the trading services

| Standard Classification Description | 2011/12 | 2012/13 | 2013/14 | Current Year 2014/15 | | | 2015/16 Medium Term Revenue & Expenditure Framework | | |
|-----------------------------------------------------|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-----------------------------------------------------|------------------------|------------------------|
| R thousand | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2015/16 | Budget Year +1 2016/17 | Budget Year +2 2017/18 |
| Electricity: | | | | | | | | | |
| Total Revenue (incl capital grants and transfers) | 659 252 | 751 573 | 762 198 | 895 408 | 887 651 | 887 651 | 954 463 | 1 072 585 | 1 208 871 |
| Operating Expenditure | 520 833 | 553 218 | 624 341 | 702 833 | 728 344 | 728 344 | 798 449 | 897 178 | 1 008 722 |
| Surplus/(Deficit) for the year | 138 419 | 198 355 | 137 856 | 192 575 | 159 307 | 159 307 | 156 014 | 175 407 | 200 149 |
| Percentage Surplus | 21% | 26% | 18% | 22% | 18% | 18% | 16% | 16% | 17% |
| Water: | | | | | | | | | |
| Total Revenue(including capital grants & transfers) | 183 413 | 203 559 | 223 631 | 253 302 | 247 044 | 247 044 | 290 482 | 324 359 | 363 652 |
| Operating Expenditure | 221 253 | 237 615 | 268 267 | 299 196 | 306 352 | 306 352 | 337 616 | 375 662 | 418 262 |
| Surplus/(deficit) for the year | -37 840 | -34 055 | -44 636 | -45 894 | -59 308 | -59 308 | -47 134 | -51 302 | -54 610 |
| Percentage Surplus | -21% | -17% | -20% | -18% | -24% | -24% | -16% | -16% | -15% |

3. The electricity trading surplus is slightly increasing over the 2015/16 MTREF from 16 per cent or R156 million in 2015/16 financial year to 17 per cent during 2017/18. This is primarily as a result of the high increases in Eskom bulk purchases. The surplus is decreasing over seven years from 21 per cent during 2011/12 to 17 per cent in 2017/18.
4. Water has experienced a deficit from 2011/12 of about 21 per cent and decreases to 15 per cent during 2017/18. This is mainly due to high water losses and tariffs that are not cost reflective.
5. Note that the surpluses on electricity is utilised as an internal funding source for the capital programme for asset renewal, refurbishment and the development of new asset infrastructure.

Table 18 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)**GT481 Mogale City - Table A4 Budgeted Financial Performance (revenue and expenditure)**

| Description | Ref | 2011/12 | 2012/13 | 2013/14 | Current Year 2014/15 | | | | 2015/16 Medium Term Revenue & Expenditure Framework | | |
|----------------------------------------------------------------------|----------|------------------|------------------|------------------|----------------------|------------------|--------------------|-------------------|-----------------------------------------------------|------------------------|------------------------|
| | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2015/16 | Budget Year +1 2016/17 | Budget Year +2 2017/18 |
| R thousand | 1 | | | | | | | | | | |
| Revenue By Source | | | | | | | | | | | |
| Property rates | 2 | 247 753 | 272 542 | 308 723 | 316 406 | 347 652 | 347 652 | 347 652 | 368 044 | 388 286 | 408 865 |
| Property rates - penalties & collection charges | | 12 747 | 20 863 | 32 026 | 32 486 | 25 310 | 25 310 | 25 310 | 26 828 | 28 304 | 29 804 |
| Service charges - electricity revenue | 2 | 619 676 | 695 834 | 723 268 | 833 172 | 825 404 | 825 404 | 825 404 | 904 354 | 1 014 685 | 1 138 477 |
| Service charges - water revenue | 2 | 169 383 | 187 182 | 193 741 | 229 868 | 222 567 | 222 567 | 222 567 | 259 290 | 294 294 | 334 024 |
| Service charges - sanitation revenue | 2 | 85 747 | 94 007 | 105 155 | 111 476 | 117 890 | 117 890 | 117 890 | 132 037 | 145 241 | 159 765 |
| Service charges - refuse revenue | 2 | 76 556 | 91 131 | 100 636 | 105 544 | 104 130 | 104 130 | 104 130 | 110 378 | 116 449 | 122 621 |
| Service charges - other | | - | - | - | - | - | - | - | - | - | - |
| Rental of facilities and equipment | | 3 149 | 2 821 | 2 969 | 3 508 | 3 252 | 3 252 | 3 252 | 3 447 | 3 637 | 3 830 |
| Interest earned - external investments | | 4 717 | 13 537 | 12 624 | 1 468 | 5 839 | 5 839 | 5 839 | 6 000 | 6 330 | 6 665 |
| Interest earned - outstanding debtors | | 10 202 | 10 349 | 14 518 | 13 732 | 32 299 | 32 299 | 32 299 | 34 237 | 36 120 | 38 035 |
| Dividends received | | 13 | - | 34 | - | - | - | - | - | - | - |
| Fines | | 11 036 | 10 469 | 170 003 | 23 522 | 23 522 | 23 522 | 23 522 | 23 522 | 24 816 | 26 131 |
| Licences and permits | | 23 | 17 | 28 | 24 | 22 | 22 | 22 | 23 | 24 | 26 |
| Agency services | | 18 999 | 24 950 | 21 408 | 24 950 | 21 408 | 21 408 | 21 408 | 22 692 | 23 940 | 25 209 |
| Transfers recognised - operational | | 213 806 | 239 980 | 236 923 | 250 984 | 253 630 | 253 630 | 253 630 | 265 305 | 291 874 | 323 746 |
| Other revenue | 2 | 205 629 | 73 366 | 78 177 | 52 167 | 53 322 | 53 322 | 53 322 | 27 673 | 29 195 | 30 742 |
| Gains on disposal of PPE | | 4 220 | 104 | 6 311 | 2 000 | - | - | - | - | - | - |
| Total Revenue (excluding capital transfers and contributions) | | 1 683 657 | 1 737 150 | 2 006 544 | 2 001 308 | 2 036 248 | 2 036 248 | 2 036 248 | 2 183 832 | 2 403 196 | 2 647 940 |
| Expenditure By Type | | | | | | | | | | | |
| Employee related costs | 2 | 397 068 | 441 828 | 485 486 | 570 352 | 574 775 | 574 775 | 574 775 | 599 197 | 601 926 | 635 333 |
| Remuneration of councillors | | 17 954 | 19 019 | 24 074 | 28 387 | 28 387 | 28 387 | 28 387 | 31 225 | 33 099 | 35 085 |
| Debt impairment | 3 | 82 208 | 28 533 | 221 318 | 45 775 | 117 084 | 117 084 | 117 084 | 109 675 | 114 062 | 117 484 |
| Depreciation & asset impairment | 2 | 210 655 | 242 282 | 267 571 | 281 809 | 281 809 | 281 809 | 281 809 | 298 154 | 314 552 | 331 853 |
| Finance charges | | 45 285 | 45 421 | 55 300 | 58 067 | 53 067 | 53 067 | 53 067 | 56 035 | 51 944 | 48 308 |
| Bulk purchases | 2 | 540 935 | 607 052 | 657 955 | 753 733 | 753 695 | 753 695 | 753 695 | 861 312 | 982 035 | 1 119 688 |
| Other materials | 8 | 62 552 | 69 975 | 69 372 | 75 281 | 80 473 | 80 473 | 80 473 | 85 302 | 89 993 | 94 943 |
| Contracted services | | 146 686 | 165 825 | 175 811 | 227 635 | 217 548 | 217 548 | 217 548 | 239 471 | 256 472 | 274 926 |
| Transfers and grants | | 19 893 | 32 510 | 25 462 | 40 650 | 39 620 | 39 620 | 39 620 | 41 439 | 43 718 | 46 123 |
| Other expenditure | 4, 5 | 195 945 | 239 809 | 192 965 | 288 719 | 300 850 | 300 850 | 300 850 | 316 765 | 331 306 | 346 771 |
| Loss on disposal of PPE | | - | - | - | - | - | - | - | - | - | - |
| Total Expenditure | | 1 719 182 | 1 892 255 | 2 175 316 | 2 370 408 | 2 447 307 | 2 447 307 | 2 447 307 | 2 638 575 | 2 819 109 | 3 050 512 |
| Surplus/(Deficit) | | (35 525) | (155 104) | (168 772) | (369 100) | (411 060) | (411 060) | (411 060) | (454 743) | (415 913) | (402 573) |
| Transfers recognised - capital | | 84 758 | 109 609 | 105 109 | 122 012 | 118 250 | 118 250 | 118 250 | 136 636 | 152 791 | 165 695 |
| Contributions recognised - capital | 6 | - | - | - | - | - | - | - | - | - | - |
| Contributed assets | | - | - | - | - | - | - | - | - | - | - |
| Surplus/(Deficit) after capital transfers & contributions | | 49 233 | (45 495) | (63 663) | (247 088) | (292 810) | (292 810) | (292 810) | (318 108) | (263 122) | (236 878) |
| Taxation | | - | - | - | - | - | - | - | - | - | - |
| Surplus/(Deficit) after taxation | | 49 233 | (45 495) | (63 663) | (247 088) | (292 810) | (292 810) | (292 810) | (318 108) | (263 122) | (236 878) |
| Attributable to minorities | | - | - | - | - | - | - | - | - | - | - |
| Surplus/(Deficit) attributable to municipality | | 49 233 | (45 495) | (63 663) | (247 088) | (292 810) | (292 810) | (292 810) | (318 108) | (263 122) | (236 878) |
| Share of surplus/ (deficit) of associate | 7 | - | - | - | - | - | - | - | - | - | - |
| Surplus/(Deficit) for the year | | 49 233 | (45 495) | (63 663) | (247 088) | (292 810) | (292 810) | (292 810) | (318 108) | (263 122) | (236 878) |

Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

1. Total revenue is R2 183 832 billion in 2015/16 and escalates to R2 647 940 billion by 2017/18. This represents a year-on-year increase of 7.24 per cent for the 2015/16 financial year and increases to 10.18 per cent for the 2017/18 financial year.
2. Revenue to be generated from property rates is R368 044 million or increase of 6 per cent during 2015/16 financial year and increases to R408 865 million by 2017/18 which represents 5.30 per cent of the operating revenue base of the City and therefore remains a significant funding source for the municipality.
3. Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of the City totalling R1 406 059 billion for the 2015/16 financial year and increasing to R1 754 887 billion by 2017/18. For the 2015/16 financial year services charges amount to 64 per cent of the total revenue base and grows by 12 per cent per annum over the medium-term. This growth can mainly be attributed to the high increase in the bulk prices of electricity and water.
4. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. It needs to be noted that in real terms the grants receipts from national government are remaining constant over the MTREF at 12 per cent respectively.
5. The following graph illustrates the major expenditure items per type.

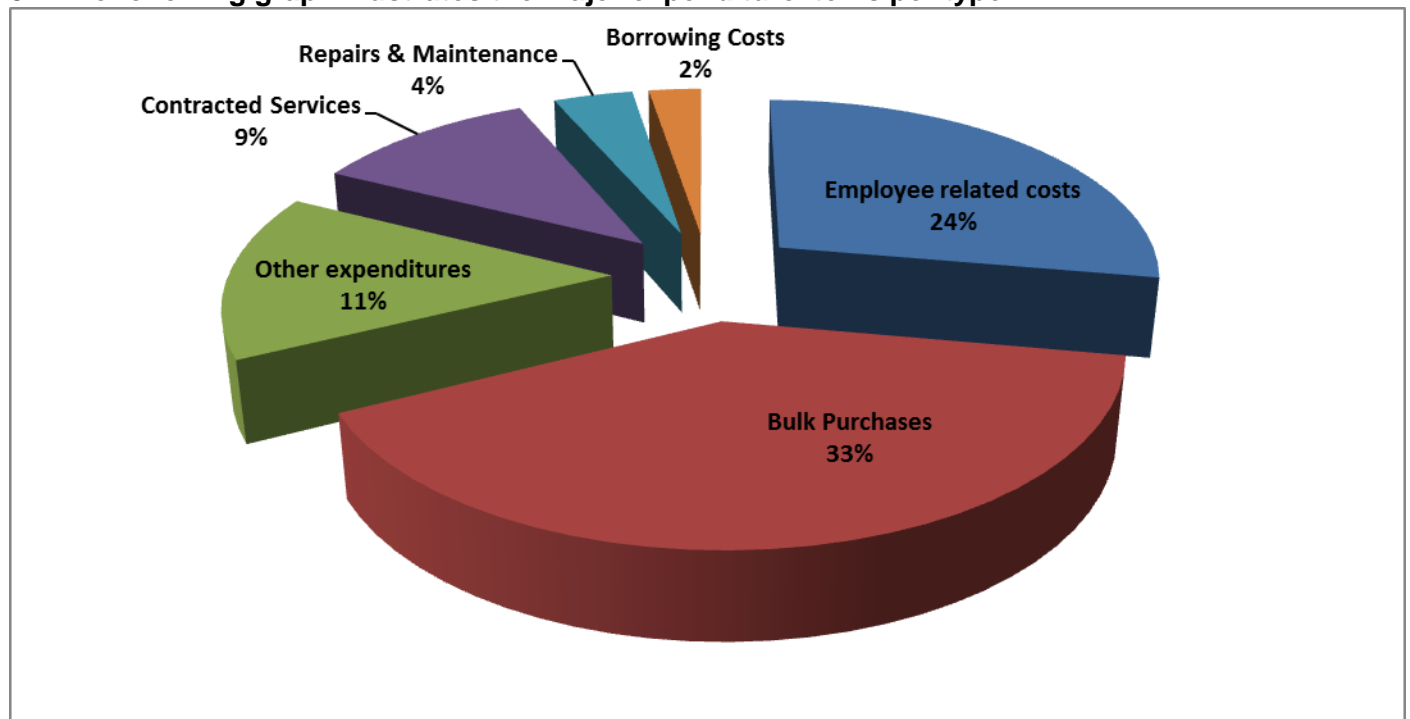


Figure 8 Expenditure by major type

6. Bulk purchases have significantly increased from 2011/12 to 2015/16 period escalating from R540 935 million to R861 312 million an **increase of 59 per cent** by Eskom and Rand Water over seven years.
7. Employee related costs, bulk purchases and contracted services are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.
8. The following graph illustrates the major expenditure items per type (over seven years).

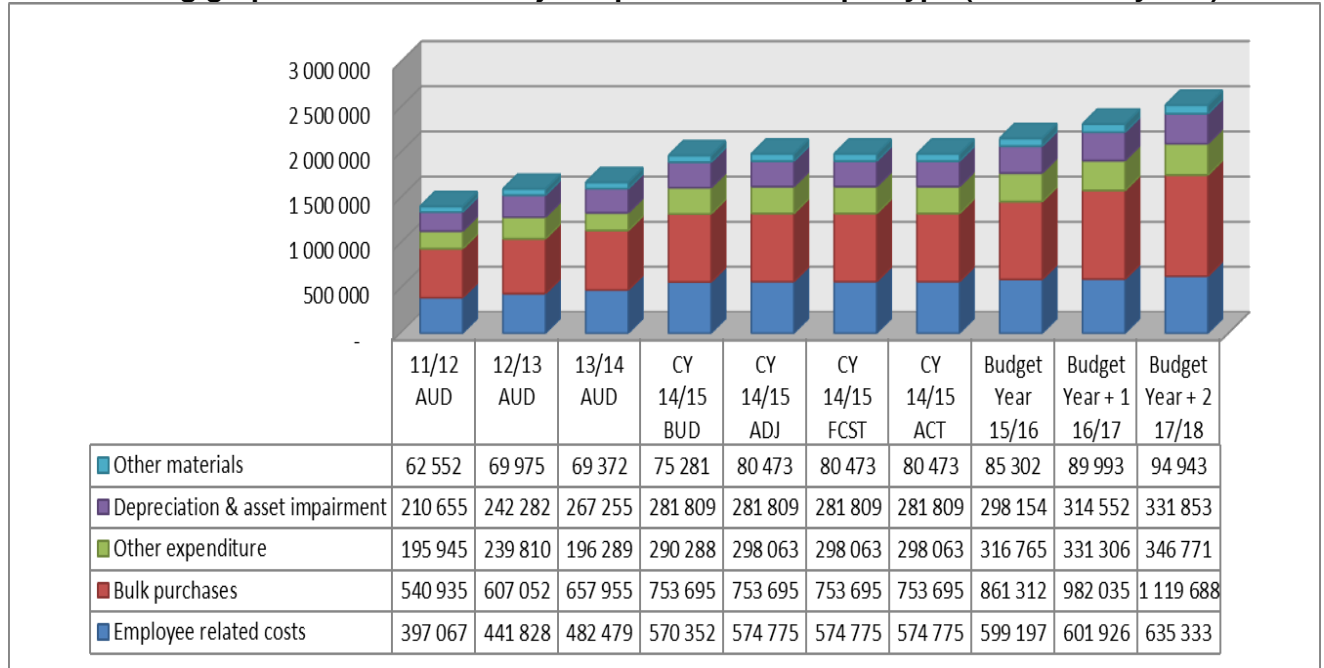


Figure 9 Expenditure by major type (over seven years)

Table 19 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

GT481 Mogale City - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

| Vote Description | Ref | 2011/12 | 2012/13 | 2013/14 | Current Year 2014/15 | | | | 2015/16 Medium Term Revenue & Expenditure Framework | | |
|---------------------------------------------------|-----|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-------------------|-----------------------------------------------------|------------------------|------------------------|
| | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2015/16 | Budget Year +1 2016/17 | Budget Year +2 2017/18 |
| Capital expenditure - Vote | | | | | | | | | | | |
| Multi-year expenditure to be appropriated | 2 | | | | | | | | | | |
| Vote 1 - POLITICAL OFFICE | | - | - | - | - | - | - | - | - | - | - |
| Vote 2 - MUNICIPAL MANAGERS OFFICE | | - | - | - | - | - | - | - | - | - | - |
| Vote 3 - CHIEF OPERATING OFFICER | | - | - | 124 | 5 | 5 | 5 | 5 | 1 000 | 50 | 50 |
| Vote 4 - CORPORATE SUPPORT SERVICES | | 24 361 | - | - | - | - | - | - | - | - | - |
| Vote 5 - MUNICIPAL FINANCIAL SERVICES | | - | - | - | - | - | - | - | - | - | - |
| Vote 6 - INTEGRATED ENVIRONMENTAL MANAGEMENT | | 14 541 | 23 708 | 17 169 | 23 785 | 20 365 | 20 365 | 20 365 | 26 138 | 36 625 | 31 862 |
| Vote 7 - SOCIAL SERVICES | | 3 706 | 7 562 | 24 863 | 26 352 | 10 453 | 10 453 | 10 453 | 20 436 | 42 094 | 18 930 |
| Vote 8 - ECONOMIC SERVICES | | - | 24 763 | 10 011 | 51 200 | 61 380 | 61 380 | 61 380 | 68 987 | 97 750 | 136 050 |
| Vote 9 - CIVIL ENGINEERING SERVICE | | 120 351 | 110 910 | 103 110 | 214 367 | 185 899 | 185 899 | 185 899 | 114 548 | 382 658 | 432 899 |
| Vote 10 - ENERGY SERVICES | | 35 566 | 91 281 | 53 604 | 85 000 | 92 907 | 92 907 | 92 907 | 50 347 | 128 900 | 223 150 |
| Vote 11 - [NAME OF VOTE 11] | | - | - | - | - | - | - | - | - | - | - |
| Vote 12 - [NAME OF VOTE 12] | | - | - | - | - | - | - | - | - | - | - |
| Vote 13 - [NAME OF VOTE 13] | | - | - | - | - | - | - | - | - | - | - |
| Vote 14 - [NAME OF VOTE 14] | | - | - | - | - | - | - | - | - | - | - |
| Vote 15 - [NAME OF VOTE 15] | | - | - | - | - | - | - | - | - | - | - |
| Capital multi-year expenditure sub-total | 7 | 198 525 | 258 224 | 208 881 | 400 709 | 371 008 | 371 008 | 371 008 | 281 455 | 688 077 | 842 942 |
| Single-year expenditure to be appropriated | 2 | | | | | | | | | | |
| Vote 1 - POLITICAL OFFICE | | 920 | 239 | 611 | 530 | 530 | 530 | 530 | - | - | - |
| Vote 2 - MUNICIPAL MANAGERS OFFICE | | 3 | 79 | - | 959 | 959 | 959 | 959 | 20 | 350 | - |
| Vote 3 - CHIEF OPERATING OFFICER | | 35 | 2 591 | 2 442 | 15 577 | 24 117 | 24 117 | 24 117 | 2 951 | 50 210 | 8 950 |
| Vote 4 - CORPORATE SUPPORT SERVICES | | 3 727 | 1 161 | 362 | 5 602 | 2 082 | 2 082 | 2 082 | 5 247 | 3 905 | 3 678 |
| Vote 5 - MUNICIPAL FINANCIAL SERVICES | | 107 | 826 | 1 436 | 3 105 | 3 118 | 3 118 | 3 118 | 1 000 | 2 000 | - |
| Vote 6 - INTEGRATED ENVIRONMENTAL MANAGEMENT | | 133 | 2 976 | 2 831 | 14 227 | 17 796 | 17 796 | 17 796 | 1 302 | 5 231 | 5 811 |
| Vote 7 - SOCIAL SERVICES | | 3 090 | 32 320 | 17 104 | 11 022 | 14 094 | 14 094 | 14 094 | 13 551 | 17 003 | 3 518 |
| Vote 8 - ECONOMIC SERVICES | | 1 049 | 521 | - | 13 615 | 8 452 | 8 452 | 8 452 | 8 012 | 5 501 | 3 260 |
| Vote 9 - CIVIL ENGINEERING SERVICE | | (24 943) | 27 806 | 7 271 | 8 920 | 9 924 | 9 924 | 9 924 | 4 598 | 16 925 | 37 300 |
| Vote 10 - ENERGY SERVICES | | 1 126 | 4 791 | 887 | 9 730 | 9 829 | 9 829 | 9 829 | 1 500 | 2 150 | 1 500 |
| Vote 11 - [NAME OF VOTE 11] | | - | - | - | - | - | - | - | - | - | - |
| Vote 12 - [NAME OF VOTE 12] | | - | - | - | - | - | - | - | - | - | - |
| Vote 13 - [NAME OF VOTE 13] | | - | - | - | - | - | - | - | - | - | - |
| Vote 14 - [NAME OF VOTE 14] | | - | - | - | - | - | - | - | - | - | - |
| Vote 15 - [NAME OF VOTE 15] | | - | - | - | - | - | - | - | - | - | - |
| Capital single-year expenditure sub-total | | (14 753) | 73 309 | 32 943 | 83 287 | 90 901 | 90 901 | 90 901 | 38 181 | 103 275 | 64 017 |
| Total Capital Expenditure - Vote | | 183 773 | 331 533 | 241 823 | 483 996 | 461 909 | 461 909 | 461 909 | 319 636 | 791 352 | 906 959 |
| Capital Expenditure - Standard | | | | | | | | | | | |
| Governance and administration | | 29 153 | 4 895 | 4 974 | 25 778 | 30 811 | 30 811 | 30 811 | 10 218 | 56 515 | 12 678 |
| Executive and council | | 922 | 2 859 | 3 176 | 17 071 | 25 611 | 25 611 | 25 611 | 3 971 | 50 610 | 9 000 |
| Budget and treasury office | | 107 | 881 | 1 436 | 3 105 | 3 118 | 3 118 | 3 118 | 1 000 | 2 000 | - |
| Corporate services | | 28 124 | 1 155 | 362 | 5 602 | 2 082 | 2 082 | 2 082 | 5 247 | 3 905 | 3 678 |
| Community and public safety | | 16 860 | 39 907 | 41 967 | 37 374 | 24 547 | 24 547 | 24 547 | 33 987 | 59 097 | 22 448 |
| Community and social services | | 27 723 | 26 177 | 5 346 | 9 597 | 6 926 | 6 926 | 6 926 | 8 203 | 2 317 | 8 018 |
| Sport and recreation | | (10 864) | 8 460 | 36 596 | 27 534 | 17 353 | 17 353 | 17 353 | 25 784 | 55 980 | 14 430 |
| Public safety | | 2 | 5 244 | 25 | 243 | 268 | 268 | 268 | - | 800 | - |
| Housing | | - | 26 | - | - | - | - | - | - | - | - |
| Health | | - | - | - | - | - | - | - | - | - | - |
| Economic and environmental services | | 36 881 | 95 554 | 73 562 | 167 160 | 171 445 | 171 445 | 171 445 | 141 446 | 243 412 | 343 342 |
| Planning and development | | 1 049 | 25 258 | 10 011 | 64 815 | 69 832 | 69 832 | 69 832 | 76 998 | 103 251 | 139 310 |
| Road transport | | 31 221 | 49 011 | 52 214 | 76 154 | 73 830 | 73 830 | 73 830 | 49 318 | 112 198 | 176 459 |
| Environmental protection | | 4 611 | 21 284 | 11 336 | 26 191 | 27 783 | 27 783 | 27 783 | 15 129 | 27 963 | 27 574 |
| Trading services | | 100 878 | 183 383 | 117 909 | 244 684 | 228 604 | 228 604 | 228 604 | 124 337 | 426 253 | 510 340 |
| Electricity | | 36 692 | 96 073 | 54 491 | 94 730 | 102 735 | 102 735 | 102 735 | 51 847 | 131 050 | 224 650 |
| Water | | 2 705 | 22 459 | 29 447 | 85 412 | 81 929 | 81 929 | 81 929 | 20 801 | 121 390 | 115 283 |
| Waste water management | | 49 857 | 59 452 | 25 307 | 52 721 | 33 563 | 33 563 | 33 563 | 39 379 | 159 921 | 160 307 |
| Waste management | | 11 625 | 5 400 | 8 664 | 11 821 | 10 378 | 10 378 | 10 378 | 12 310 | 13 893 | 10 100 |
| Other | | 7 793 | 3 412 | 3 412 | 9 000 | 6 502 | 6 502 | 6 502 | 9 648 | 6 075 | 18 150 |
| Total Capital Expenditure - Standard | 3 | 183 773 | 331 533 | 241 823 | 483 996 | 461 909 | 461 909 | 461 909 | 319 636 | 791 352 | 906 959 |
| Funded by: | | | | | | | | | | | |
| National Government | | 56 066 | 105 073 | 99 782 | 118 118 | 113 875 | 113 875 | 113 875 | 136 636 | 152 791 | 165 695 |
| Provincial Government | | 14 358 | 18 663 | 3 314 | 3 895 | 4 376 | 4 376 | 4 376 | - | - | - |
| District Municipality | | - | 900 | 2 185 | - | - | - | - | - | - | - |
| Other transfers and grants | | - | - | - | - | - | - | - | - | - | - |
| Transfers recognised - capital | 4 | 70 424 | 124 636 | 105 281 | 122 012 | 118 250 | 118 250 | 118 250 | 136 636 | 152 791 | 165 695 |
| Public contributions & donations | 5 | | | | | 10 000 | 10 000 | 10 000 | | | |
| Borrowing | 6 | (9 352) | 167 773 | 23 221 | 239 500 | 239 500 | 239 500 | 239 500 | 53 200 | | |
| Internally generated funds | | 122 700 | 39 124 | 113 321 | 122 484 | 94 159 | 94 159 | 94 159 | 129 800 | 638 561 | 741 264 |
| Total Capital Funding | 7 | 183 773 | 331 533 | 241 823 | 483 996 | 461 909 | 461 909 | 461 909 | 319 636 | 791 352 | 906 959 |

Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. In relation to multi-year appropriations, for 2015/16, R281 455 million has been allocated to capital budget of which R129 800 million is funded from own generated revenue representing 40 per cent of the total capital budget. This allocation increases to R688 077 million during 2016/17 and then decreases to R842 942 million during 2017/18.
3. Single-year capital expenditure has been appropriated at R38 181 million for the 2015/16 financial year and increases over the MTREF.
4. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of office furniture and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental requirements as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the City. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.
5. The capital programme is funded from national grants and transfers, roll over of DBSA loan from 2014/15 financial year and internally generated funds to be raised during 2015/16 financial year. For 2015/16, capital transfers totals R136 636 million (43 per cent) and increase to R165 695 million by 2017/18 (18 per cent). Internally generated funding during 2014/15 is appropriated to R94 159 million or 20 per cent of total capital budget, then proposed budget are R129 800 million and R638 561 million and R741 264 million for each of the respective financial years of the MTREF.

Table 20 MBRR Table A6 - Budgeted Financial Position**GT481 Mogale City - Table A6 Budgeted Financial Position**

| Description | Ref | 2011/12 | 2012/13 | 2013/14 | Current Year 2014/15 | | | | 2015/16 Medium Term Revenue & Expenditure Framework | | |
|------------------------------------------|-----|------------------|------------------|------------------|----------------------|------------------|--------------------|-------------------|-----------------------------------------------------|------------------------|------------------------|
| | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2015/16 | Budget Year +1 2016/17 | Budget Year +2 2017/18 |
| R thousand | | | | | | | | | | | |
| ASSETS | | | | | | | | | | | |
| Current assets | | | | | | | | | | | |
| Cash | | 13 563 | 33 422 | 27 232 | 6 892 | 1 858 | 1 858 | 1 858 | | | |
| Call investment deposits | 1 | 30 213 | 56 742 | 69 473 | – | – | – | – | – | – | – |
| Consumer debtors | 1 | 304 659 | 394 029 | 360 807 | 348 927 | 397 622 | 397 622 | 397 622 | 362 222 | 361 722 | 361 722 |
| Other debtors | | 44 683 | 42 451 | 55 433 | 47 185 | 55 130 | 55 130 | 55 130 | 56 455 | 58 587 | 61 705 |
| Current portion of long-term receivables | | – | – | – | – | – | – | – | – | – | – |
| Inventory | 2 | 11 530 | 11 163 | 14 058 | 12 717 | 14 058 | 14 058 | 14 058 | 14 295 | 14 295 | 14 295 |
| Total current assets | | 404 647 | 537 806 | 527 002 | 415 721 | 468 667 | 468 667 | 468 667 | 432 972 | 434 604 | 437 723 |
| Non current assets | | | | | | | | | | | |
| Long-term receivables | | | | | | | | | | | |
| Investments | | 38 244 | 47 108 | 53 935 | 62 084 | 62 084 | 62 084 | 62 084 | 63 559 | 63 559 | 63 559 |
| Investment property | | 568 269 | 480 517 | 502 512 | 512 781 | 502 512 | 502 512 | 502 512 | 502 512 | 502 512 | 502 512 |
| Investment in Associate | | | | | | | | | | | |
| Property, plant and equipment | 3 | 5 131 730 | 5 266 511 | 5 229 164 | 5 385 874 | 5 202 522 | 5 202 522 | 5 202 522 | 5 217 303 | 6 099 031 | 7 139 013 |
| Agricultural | | | | | | | | | | | |
| Biological | | 3 396 | – | – | 3 617 | – | – | – | – | – | – |
| Intangible | | 4 221 | 1 143 | 4 860 | 19 257 | 10 036 | 10 036 | 10 036 | 16 737 | 62 609 | 69 642 |
| Other non-current assets | | 513 | 620 | 620 | | | | | | | |
| Total non current assets | | 5 746 372 | 5 795 898 | 5 791 091 | 5 984 232 | 5 777 153 | 5 777 153 | 5 777 153 | 5 800 111 | 6 727 711 | 7 774 726 |
| TOTAL ASSETS | | 6 151 018 | 6 333 705 | 6 318 093 | 6 399 953 | 6 245 821 | 6 245 821 | 6 245 821 | 6 233 084 | 7 162 315 | 8 212 449 |
| LIABILITIES | | | | | | | | | | | |
| Current liabilities | | | | | | | | | | | |
| Bank overdraft | 1 | | | | | | | | 126 582 | 754 112 | 1 527 397 |
| Borrowing | 4 | 17 961 | 21 945 | 23 154 | 36 594 | 30 993 | 30 993 | 30 993 | 33 684 | 106 093 | 15 388 |
| Consumer deposits | | 35 997 | 39 458 | 45 609 | 40 090 | 40 090 | 40 090 | 40 090 | 46 667 | 49 012 | 47 134 |
| Trade and other payables | 4 | 450 237 | 509 300 | 551 967 | 426 884 | 426 884 | 426 884 | 426 884 | 420 891 | 445 788 | 432 586 |
| Provisions | | 14 147 | 9 776 | 12 013 | 18 671 | 12 013 | 12 013 | 12 013 | 13 266 | 13 757 | 14 568 |
| Total current liabilities | | 518 342 | 580 479 | 632 744 | 522 238 | 509 980 | 509 980 | 509 980 | 641 090 | 1 368 762 | 2 037 074 |
| Non current liabilities | | | | | | | | | | | |
| Borrowing | | 189 301 | 346 623 | 321 818 | 432 681 | 432 681 | 432 681 | 432 681 | 517 140 | 483 456 | 377 363 |
| Provisions | | 156 415 | 174 561 | 192 501 | 156 877 | 195 102 | 195 102 | 195 102 | 194 987 | 197 886 | 202 754 |
| Total non current liabilities | | 345 716 | 521 183 | 514 319 | 589 559 | 627 783 | 627 783 | 627 783 | 712 127 | 681 341 | 580 117 |
| TOTAL LIABILITIES | | 864 058 | 1 101 662 | 1 147 063 | 1 111 797 | 1 137 763 | 1 137 763 | 1 137 763 | 1 353 216 | 2 050 103 | 2 617 191 |
| NET ASSETS | 5 | 5 286 960 | 5 232 042 | 5 171 030 | 5 288 156 | 5 108 057 | 5 108 057 | 5 108 057 | 4 879 867 | 5 112 212 | 5 595 258 |
| COMMUNITY WEALTH/EQUITY | | | | | | | | | | | |
| Accumulated Surplus/(Deficit) | | 5 286 960 | 5 225 813 | 5 162 150 | 5 288 156 | 5 099 177 | 5 099 177 | 5 099 177 | 4 868 888 | 5 099 315 | 5 584 801 |
| Reserves | 4 | – | 6 229 | 8 880 | – | 8 880 | 8 880 | 8 880 | 10 979 | 12 897 | 10 457 |
| Minorities' interests | | | | | | | | | | | |
| TOTAL COMMUNITY WEALTH/EQUITY | 5 | 5 286 960 | 5 232 042 | 5 171 030 | 5 288 156 | 5 108 057 | 5 108 057 | 5 108 057 | 4 879 867 | 5 112 212 | 5 595 258 |

Explanatory notes to Table A6 - Budgeted Financial Position

- Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
- This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
- The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
- Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at

year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

Table 21 MBRR Table A7 - Budgeted Cash Flow Statement**GT481 Mogale City - Table A7 Budgeted Cash Flows**

| Description | Ref | 2011/12 | 2012/13 | 2013/14 | Current Year 2014/15 | | | | 2015/16 Medium Term Revenue & Expenditure Framework | | |
|---------------------------------------------------|-----|------------------|------------------|------------------|----------------------|------------------|--------------------|-------------------|-----------------------------------------------------|------------------------|------------------------|
| | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2015/16 | Budget Year +1 2016/17 | Budget Year +2 2017/18 |
| R thousand | | | | | | | | | | | |
| CASH FLOW FROM OPERATING ACTIVITIES | | | | | | | | | | | |
| Receipts | | | | | | | | | | | |
| Property rates, penalties & collection charges | | 300 098 | 322 147 | 375 912 | 338 425 | 355 579 | 355 579 | 355 579 | 380 150 | 401 058 | 422 314 |
| Service charges | | 864 111 | 906 390 | 952 969 | 1 243 339 | 1 209 865 | 1 209 865 | 1 209 865 | 1 352 686 | 1 511 026 | 1 688 224 |
| Other revenue | | 224 625 | 88 261 | 166 424 | 409 068 | 379 924 | 379 924 | 379 924 | 183 758 | 81 612 | 85 938 |
| Government - operating | 1 | 198 644 | 224 377 | 233 575 | 250 984 | 253 630 | 253 630 | 253 630 | 265 305 | 291 874 | 323 746 |
| Government - capital | 1 | 103 357 | 120 383 | 109 235 | 122 012 | 118 250 | 118 250 | 118 250 | 136 636 | 152 791 | 165 695 |
| Interest | | 14 919 | 23 886 | 27 142 | 15 201 | 38 138 | 38 138 | 38 138 | 40 237 | 42 450 | 44 700 |
| Dividends | | 13 | | 34 | | | | | - | - | - |
| Payments | | | | | | | | | | | |
| Suppliers and employees | | (1 467 135) | (1 400 128) | (1 524 575) | (2 030 297) | (2 104 144) | (2 104 144) | (2 104 144) | (2 028 929) | (2 187 643) | (2 396 420) |
| Finance charges | | (45 285) | (45 421) | (55 300) | (58 067) | (53 067) | (53 067) | (53 067) | (56 035) | (51 944) | (48 308) |
| Transfers and Grants | 1 | (19 893) | (32 510) | (25 462) | (40 650) | (39 620) | (39 620) | (39 620) | (41 439) | (43 718) | (46 123) |
| NET CASH FROM/(USED) OPERATING ACTIVITIES | | 173 454 | 207 386 | 259 954 | 250 015 | 158 555 | 158 555 | 158 555 | 232 369 | 197 506 | 239 767 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | | | | | | |
| Receipts | | | | | | | | | | | |
| Proceeds on disposal of PPE | | 9 592 | - | 1 161 | 2 000 | - | - | - | - | - | - |
| Decrease (Increase) in non-current debtors | | - | - | - | - | - | - | - | - | - | - |
| Decrease (increase) other non-current receivables | | - | - | - | - | - | - | - | - | - | - |
| Decrease (increase) in non-current investments | | - | - | - | - | - | - | - | - | - | - |
| Payments | | | | | | | | | | | |
| Capital assets | | (168 959) | (323 911) | (222 054) | (483 996) | (461 909) | (461 909) | (461 909) | (319 636) | (791 352) | (906 959) |
| NET CASH FROM/(USED) INVESTING ACTIVITIES | | (159 367) | (323 911) | (220 893) | (481 996) | (461 909) | (461 909) | (461 909) | (319 636) | (791 352) | (906 959) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | | | | | | |
| Receipts | | | | | | | | | | | |
| Short term loans | | - | - | - | - | - | - | - | - | - | - |
| Borrowing long term/refinancing | | - | 190 994 | - | 239 500 | 239 500 | 239 500 | 239 500 | - | - | - |
| Increase (decrease) in consumer deposits | | 958 | - | - | 727 | - | - | - | - | - | - |
| Payments | | | | | | | | | | | |
| Repayment of borrowing | | (10 605) | (28 080) | (32 519) | (28 621) | (30 993) | (30 993) | (30 993) | (41 173) | (33 684) | (106 093) |
| NET CASH FROM/(USED) FINANCING ACTIVITIES | | (9 647) | 162 914 | (32 519) | 211 606 | 208 507 | 208 507 | 208 507 | (41 173) | (33 684) | (106 093) |
| NET INCREASE/ (DECREASE) IN CASH HELD | | 4 440 | 46 388 | 6 541 | (20 375) | (94 847) | (94 847) | (94 847) | (128 440) | (627 530) | (773 285) |
| Cash/cash equivalents at the year begin: | 2 | 39 336 | 43 775 | 90 163 | 27 267 | 96 705 | 96 705 | 96 705 | 1 858 | (126 582) | (754 112) |
| Cash/cash equivalents at the year end: | 2 | 43 775 | 90 163 | 96 705 | 6 892 | 1 858 | 1 858 | 1 858 | (126 582) | (754 112) | (1 527 397) |

Table 22 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation**GT481 Mogale City - Table A8 Cash backed reserves/accumulated surplus reconciliation**

| Description | Ref | 2011/12 | 2012/13 | 2013/14 | Current Year 2014/15 | | | | 2015/16 Medium Term Revenue & Expenditure Framework | | |
|---------------------------------------------------|-----|------------------|-----------------|------------------|----------------------|-----------------|--------------------|-------------------|-----------------------------------------------------|------------------------|------------------------|
| | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2015/16 | Budget Year +1 2016/17 | Budget Year +2 2017/18 |
| R thousand | | | | | | | | | | | |
| Cash and investments available | | | | | | | | | | | |
| Cash/cash equivalents at the year end | 1 | 43 775 | 90 163 | 96 705 | 6 892 | 1 858 | 1 858 | 1 858 | (126 582) | (754 112) | (1 527 397) |
| Other current investments > 90 days | | 0 | 0 | 0 | (0) | (0) | (0) | (0) | (0) | (0) | (0) |
| Non current assets - Investments | 1 | 38 244 | 47 108 | 53 935 | 62 084 | 62 084 | 62 084 | 62 084 | 63 559 | 63 559 | 63 559 |
| Cash and investments available: | | 82 019 | 137 271 | 150 639 | 68 975 | 63 942 | 63 942 | 63 942 | (63 023) | (690 553) | (1 463 838) |
| Application of cash and investments | | | | | | | | | | | |
| Unspent conditional transfers | | 13 874 | 7 984 | 8 183 | - | - | - | - | - | - | - |
| Unspent borrowing | | - | - | - | - | 53 200 | 53 200 | - | - | - | - |
| Statutory requirements | 2 | 68 725 | 70 832 | 70 446 | 70 832 | 70 446 | 70 446 | 70 446 | 70 446 | 70 446 | 70 446 |
| Other working capital requirements | 3 | 35 530 | 43 059 | 117 810 | (99 383) | (143 659) | (143 659) | (143 659) | (78 508) | (30 195) | (44 813) |
| Other provisions | | 14 147 | 9 776 | 12 013 | 18 671 | 12 013 | 12 013 | 12 013 | 13 215 | 13 215 | 13 215 |
| Long term investments committed | 4 | 59 323 | 46 659 | 53 332 | 62 084 | 62 084 | 62 084 | 62 084 | 63 559 | 63 559 | 63 559 |
| Reserves to be backed by cash/investments | 5 | | | | | | | | | | |
| Total Application of cash and investments: | | 191 598 | 178 309 | 261 784 | 52 203 | 54 084 | 54 084 | 884 | 68 712 | 117 025 | 102 407 |
| Surplus(shortfall) | | (109 579) | (41 038) | (111 145) | 16 772 | 9 858 | 9 858 | 63 058 | (131 735) | (807 578) | (1 566 245) |

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. As part of the 2014/15 mid-year review and Adjustments Budget this unsustainable cash position had to be addressed as a matter of urgency and various interventions were implemented such as the reduction of expenditure allocations.
4. Cash and cash equivalents at the beginning of year predicts a deficit of R128 440 million and as at the end of the 2015/16 financial year project a deficit of about R126 545 million and increases to R1 527 397 billion by 2017/18.

Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. From the table above it can be seen that for the period 2011/12 shows a shortfall of R109 579 million then during 2014/15 Adjustment Budget indicates a surplus R9 858 million. Over the MTREF there is a shortfall of R131 735 million.
5. The objective for the final approval budget for the 2015/16 MTREF must ensure that the budget is funded and aligned to section 18 of the MFMA.

Table 23 MBRR Table A9 - Asset Management

GT481 Mogale City - Table A9 Asset Management

| Description | Ref | 2011/12 | 2012/13 | 2013/14 | Current Year 2014/15 | | | 2015/16 Medium Term Revenue & Expenditure Framework | | |
|------------------------------------------------|------|-----------------|-----------------|-----------------|----------------------|-----------------|--------------------|-----------------------------------------------------|------------------------|------------------------|
| | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2015/16 | Budget Year +1 2016/17 | Budget Year +2 2017/18 |
| R thousand | | | | | | | | | | |
| CAPITAL EXPENDITURE | | | | | | | | | | |
| <u>Total New Assets</u> | 1 | 100 839 | 190 714 | 92 159 | 319 032 | 336 661 | 336 661 | 174 305 | 475 813 | 607 615 |
| Infrastructure - Road transport | | — | 8 536 | 1 512 | 59 054 | 52 660 | 52 660 | 32 468 | 66 808 | 111 085 |
| Infrastructure - Electricity | | 37 137 | 96 073 | 54 468 | 83 400 | 92 900 | 92 900 | 18 500 | 55 250 | 116 650 |
| Infrastructure - Water | | 2 703 | 20 623 | 7 674 | 43 500 | 43 500 | 43 500 | 14 301 | 94 500 | 78 327 |
| Infrastructure - Sanitation | | — | — | 5 113 | 16 700 | 17 590 | 17 590 | 11 260 | 58 500 | 64 100 |
| Infrastructure - Other | | — | 753 | — | 3 500 | 1 100 | 1 100 | 50 737 | 56 175 | 94 050 |
| Infrastructure | | 39 839 | 125 984 | 68 767 | 206 154 | 207 750 | 207 750 | 127 265 | 331 233 | 464 212 |
| Community | | 40 747 | 30 061 | 7 826 | 19 639 | 20 758 | 20 758 | 9 328 | 19 986 | 49 343 |
| Heritage assets | | — | — | — | — | — | — | — | — | — |
| Investment properties | | — | — | — | — | — | — | — | — | — |
| Other assets | 6 | 20 253 | 34 239 | 12 824 | 79 022 | 88 706 | 88 706 | 30 462 | 109 217 | 80 028 |
| Agricultural Assets | | — | — | — | 90 | 24 | 24 | — | — | — |
| Biological assets | | — | — | — | — | — | — | — | — | — |
| Intangibles | | — | 430 | 2 742 | 14 128 | 19 423 | 19 423 | 7 250 | 15 377 | 14 033 |
| <u>Total Renewal of Existing Assets</u> | 2 | 82 933 | 140 819 | 149 664 | 164 964 | 125 248 | 125 248 | 145 330 | 315 539 | 299 344 |
| Infrastructure - Road transport | | 31 048 | 40 476 | 50 702 | 17 000 | 17 000 | 17 000 | 15 500 | 45 340 | 62 024 |
| Infrastructure - Electricity | | — | 7 918 | 15 | 8 000 | 6 407 | 6 407 | 33 347 | 73 650 | 107 500 |
| Infrastructure - Water | | — | 53 370 | 21 774 | 41 912 | 38 496 | 38 496 | 3 500 | 26 890 | 29 957 |
| Infrastructure - Sanitation | | 49 857 | — | 20 191 | 33 901 | 15 015 | 15 015 | 26 319 | 82 221 | 80 007 |
| Infrastructure - Other | | 4 477 | 4 646 | 10 070 | 3 000 | 3 000 | 3 000 | 3 400 | 3 400 | 2 400 |
| Infrastructure | | 85 382 | 106 410 | 102 752 | 103 813 | 79 918 | 79 918 | 82 066 | 231 501 | 281 888 |
| Community | | (2 449) | 29 119 | 42 755 | 30 035 | 17 721 | 17 721 | 61 214 | 80 553 | 16 094 |
| Heritage assets | | — | — | — | 4 000 | 1 900 | 1 900 | 400 | — | — |
| Investment properties | | — | — | — | — | — | — | — | — | — |
| Other assets | 6 | — | 5 289 | 4 157 | 27 116 | 25 710 | 25 710 | 1 650 | 3 486 | 1 362 |
| Agricultural Assets | | — | — | — | — | — | — | — | — | — |
| Biological assets | | — | — | — | — | — | — | — | — | — |
| Intangibles | | — | — | — | — | — | — | — | — | — |
| <u>Total Capital Expenditure</u> | 4 | | | | | | | | | |
| Infrastructure - Road transport | | 31 048 | 49 011 | 52 214 | 76 054 | 69 660 | 69 660 | 47 968 | 112 148 | 173 109 |
| Infrastructure - Electricity | | 37 137 | 103 991 | 54 483 | 91 400 | 99 307 | 99 307 | 51 847 | 128 900 | 224 150 |
| Infrastructure - Water | | 2 703 | 73 993 | 29 447 | 85 412 | 81 996 | 81 996 | 17 801 | 121 390 | 108 283 |
| Infrastructure - Sanitation | | 49 857 | — | 25 304 | 50 601 | 32 605 | 32 605 | 37 579 | 140 721 | 144 107 |
| Infrastructure - Other | | 4 477 | 5 400 | 10 070 | 6 500 | 4 100 | 4 100 | 54 137 | 59 575 | 96 450 |
| Infrastructure | | 125 221 | 232 395 | 171 518 | 309 967 | 287 668 | 287 668 | 209 331 | 562 733 | 746 099 |
| Community | | 38 299 | 59 180 | 50 581 | 49 673 | 38 479 | 38 479 | 70 542 | 100 540 | 65 437 |
| Heritage assets | | — | — | — | 4 000 | 1 900 | 1 900 | 400 | — | — |
| Investment properties | | — | — | — | — | — | — | — | — | — |
| Other assets | 6 | 20 253 | 39 528 | 16 981 | 106 138 | 114 416 | 114 416 | 32 112 | 112 703 | 81 390 |
| Agricultural Assets | | — | — | — | 90 | 24 | 24 | — | — | — |
| Biological assets | | — | — | — | — | — | — | — | — | — |
| Intangibles | | — | 430 | 2 742 | 14 128 | 19 423 | 19 423 | 7 250 | 15 377 | 14 033 |
| TOTAL CAPITAL EXPENDITURE - Asset class | 2 | 183 773 | 331 533 | 241 823 | 483 996 | 461 909 | 461 909 | 319 636 | 791 352 | 906 959 |
| ASSET REGISTER SUMMARY - PPE (WDV) | | | | | | | | | | |
| Infrastructure - Road transport | 5 | 2 264 118 | 2 222 597 | 2 192 907 | 2 097 718 | 2 190 584 | 2 190 584 | 2 024 373 | 2 362 398 | 2 774 764 |
| Infrastructure - Electricity | | 1 018 928 | 1 093 165 | 1 072 194 | 1 178 333 | 1 080 200 | 1 080 200 | 1 100 324 | 1 195 223 | 1 381 393 |
| Infrastructure - Water | | 469 624 | 465 505 | 489 514 | 512 655 | 477 242 | 477 242 | 462 898 | 550 376 | 629 882 |
| Infrastructure - Sanitation | | 549 173 | 580 039 | 560 640 | 622 486 | 550 271 | 550 271 | 592 020 | 751 277 | 900 683 |
| Infrastructure - Other | | 266 893 | 188 433 | 167 151 | 319 461 | 168 059 | 168 059 | 250 222 | 358 774 | 514 897 |
| Infrastructure | | 4 568 735 | 4 549 740 | 4 482 407 | 4 730 654 | 4 466 355 | 4 466 355 | 4 429 838 | 5 218 048 | 6 201 618 |
| Community | | 518 105 | 669 629 | 713 535 | 603 334 | 700 702 | 700 702 | 756 240 | 847 894 | 900 707 |
| Heritage assets | | 513 | 620 | 620 | 620 | 620 | 620 | 620 | 620 | 620 |
| Investment properties | | 568 269 | 480 517 | 502 512 | 512 781 | 502 512 | 502 512 | 502 512 | 502 512 | 502 512 |
| Other assets | | 44 377 | 46 523 | 32 603 | 51 268 | 34 846 | 34 846 | 30 606 | 32 470 | 36 068 |
| Agricultural Assets | | — | — | — | — | — | — | — | — | — |
| Biological assets | | 3 396 | — | — | 3 617 | — | — | — | — | — |
| Intangibles | | 4 221 | 1 143 | 4 860 | 19 257 | 10 036 | 10 036 | 16 737 | 62 609 | 69 642 |
| TOTAL ASSET REGISTER SUMMARY - PPE (WDV) | 5 | 5 707 616 | 5 748 171 | 5 736 537 | 5 921 528 | 5 715 070 | 5 715 070 | 5 736 552 | 6 664 152 | 7 711 167 |
| EXPENDITURE OTHER ITEMS | | | | | | | | | | |
| <u>Depreciation & asset impairment</u> | 3 | 210 655 | 242 282 | 267 571 | 281 809 | 281 809 | 281 809 | 298 154 | 314 552 | 331 853 |
| <u>Repairs and Maintenance by Asset Class</u> | | 62 552 | 69 975 | 69 372 | 75 370 | 80 473 | 80 473 | 85 301 | 89 993 | 94 943 |
| Infrastructure - Road transport | | 10 730 | 22 765 | 5 691 | 8 034 | 7 634 | 7 634 | 8 092 | 8 537 | 9 007 |
| Infrastructure - Electricity | | 20 898 | 24 463 | 10 472 | 28 878 | 34 611 | 34 611 | 36 971 | 39 004 | 41 149 |
| Infrastructure - Water | | 6 127 | 7 571 | 2 887 | 5 392 | 5 402 | 5 402 | 5 727 | 6 041 | 6 374 |
| Infrastructure - Sanitation | | 5 358 | 10 348 | 9 482 | 9 574 | 9 098 | 9 098 | 9 644 | 10 174 | 10 734 |
| Infrastructure - Other | | 4 541 | 3 555 | 6 039 | 3 882 | 3 882 | 3 882 | 4 115 | 4 341 | 4 580 |
| Infrastructure | | 47 654 | 68 702 | 34 572 | 55 760 | 60 627 | 60 627 | 64 548 | 68 098 | 71 843 |
| Community | | 6 352 | 6 137 | 6 189 | 7 509 | 7 501 | 7 501 | 7 951 | 8 388 | 8 850 |
| Heritage assets | | — | — | — | — | — | — | — | — | — |
| Investment properties | | — | — | — | — | — | — | — | — | — |
| Other assets | 6, 7 | 8 546 | (4 864) | 28 612 | 12 102 | 12 345 | 12 345 | 12 803 | 13 507 | 14 250 |
| TOTAL EXPENDITURE OTHER ITEMS | | 273 207 | 312 257 | 336 943 | 357 179 | 362 282 | 362 282 | 383 455 | 404 546 | 426 796 |
| Renewal of Existing Assets as % of total capex | | 45.1% | 42.5% | 61.9% | 34.1% | 27.1% | 27.1% | 45.5% | 39.9% | 33.0% |
| Renewal of Existing Assets as % of deprecn" | | 39.4% | 58.1% | 55.9% | 58.5% | 44.4% | 44.4% | 48.7% | 100.3% | 90.2% |
| R&M as a % of PPE | | 1.2% | 1.3% | 1.3% | 1.4% | 1.5% | 1.5% | 1.6% | 1.5% | 1.3% |
| Renewal and R&M as a % of PPE | | 3.0% | 4.0% | 4.0% | 4.0% | 4.0% | 4.0% | 4.0% | 6.0% | 5.0% |

Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of total value of PPE.
3. The City meets only one recommendation, 45.5 per cent of capital budget is allocated to renewal of existing assets, repairs & maintenance as a percentage of PPE for 2015/16 to 2017/18 is ranging from 1.6 to 1.3 per cent . Mogale City will continue and strive to renew, upgrade and maintain its assets to deliver better quality service to all.
4. The following graph provides an analysis between depreciation and operational repairs and maintenance over the MTREF. It highlights the City's strategy to address the maintenance backlog.

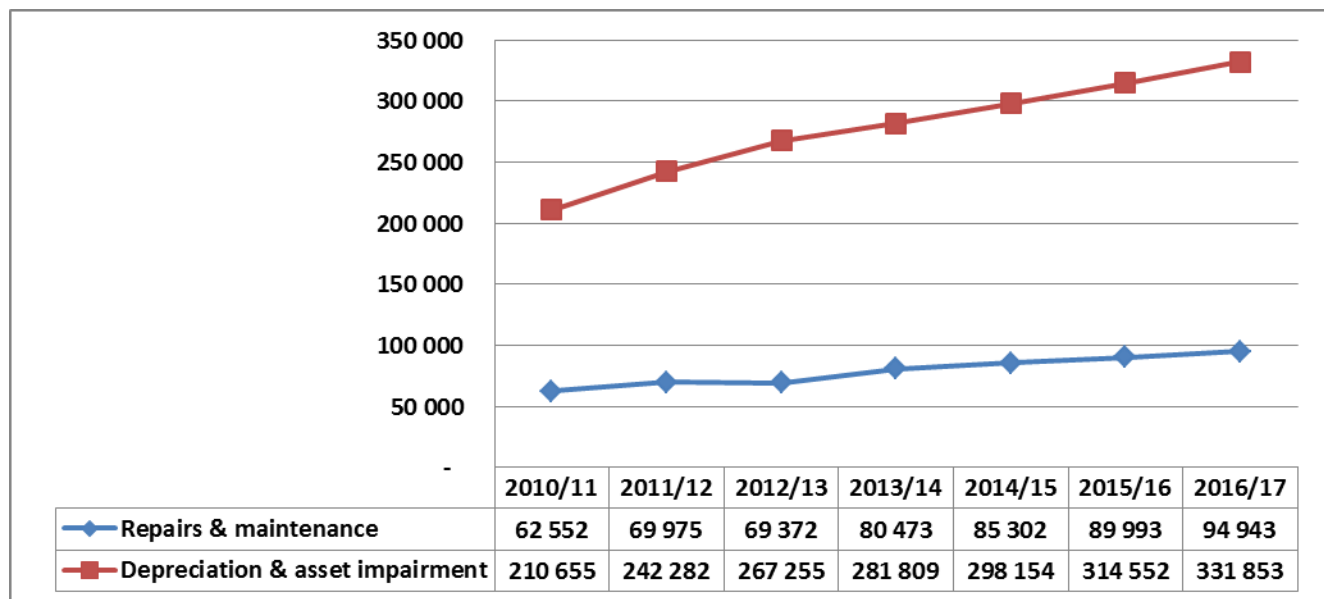


Figure 10 Depreciation in relation to repairs and maintenance over the MTREF

Table 24 MBRR Table A10 - Basic Service Delivery Measurement

GT481 Mogale City - Table A10 Basic service delivery measurement

| Description | Ref | 2011/12 | 2012/13 | 2013/14 | Current Year 2014/15 | | | 2015/16 Medium Term Revenue & Expenditure Framework | | |
|----------------------------------------------------------------------------|-----|----------------|----------------|------------------|----------------------|-----------------|--------------------|-----------------------------------------------------|------------------------|------------------------|
| | | Outcome | Outcome | Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Budget Year 2015/16 | Budget Year +1 2016/17 | Budget Year +2 2017/18 |
| Household service targets | 1 | | | | | | | | | |
| Water: | | | | | | | | | | |
| Piped water inside dwelling | | 57 481 | 58 981 | 64 283 | 125 783 | 125 783 | 125 783 | 126 412 | 127 044 | 127 679 |
| Piped water inside yard (but not in dwelling) | | 38 074 | 38 274 | 38 116 | 15 742 | 15 742 | 15 742 | 15 820 | 15 899 | 15 979 |
| Using public tap (at least min.service level) | 2 | 4 164 | 4 464 | 7 020 | 5 356 | 5 356 | 5 356 | 5 383 | 5 410 | 5 437 |
| Other water supply (at least min.service level) | 4 | — | — | — | 4 648 | 4 648 | 4 648 | 4 671 | 4 695 | 4 718 |
| <i>Minimum Service Level and Above sub-total</i> | | 99 719 | 101 719 | 109 419 | 151 529 | 151 529 | 151 529 | 152 286 | 153 048 | 153 813 |
| Using public tap (< min.service level) | 3 | — | — | 4 500 | — | — | — | — | — | — |
| Other water supply (< min.service level) | 4 | 1 309 | 1 309 | — | — | — | — | — | — | — |
| No water supply | | 3 804 | 3 613 | 3 454 | — | — | — | — | — | — |
| <i>Below Minimum Service Level sub-total</i> | | 5 113 | 4 922 | 7 954 | — | — | — | — | — | — |
| Total number of households | 5 | 104 832 | 106 641 | 117 373 | 151 529 | 151 529 | 151 529 | 152 286 | 153 048 | 153 813 |
| Sanitation/sewerage: | | | | | | | | | | |
| Flush toilet (connected to sewerage) | | 124 216 | 124 716 | 91 757 | 125 783 | 125 783 | 125 783 | 126 412 | 127 044 | 127 679 |
| Flush toilet (with septic tank) | | 58 380 | 58 400 | 6 781 | 194 | 194 | 194 | 195 | 196 | 197 |
| Chemical toilet | | 46 009 | 46 109 | 3 430 | 14 983 | 14 983 | 14 983 | 15 058 | 15 133 | 15 209 |
| Pit toilet (ventilated) | | — | — | 2 755 | 521 | 521 | 521 | 524 | 526 | 529 |
| Other toilet provisions (> min.service level) | | 88 640 | 88 740 | 5 675 | — | — | — | — | — | — |
| <i>Minimum Service Level and Above sub-total</i> | | 317 245 | 317 965 | 110 398 | 141 481 | 141 481 | 141 481 | 142 188 | 142 899 | 143 614 |
| Bucket toilet | | — | — | 3 702 | — | — | — | — | — | — |
| Other toilet provisions (< min.service level) | | — | — | 971 | — | — | — | — | — | — |
| No toilet provisions | | 2 085 | 1 085 | 2 302 | — | — | — | — | — | — |
| <i>Below Minimum Service Level sub-total</i> | | 2 085 | 1 085 | 6 975 | — | — | — | — | — | — |
| Total number of households | 5 | 319 330 | 319 050 | 117 373 | 141 481 | 141 481 | 141 481 | 142 188 | 142 899 | 143 614 |
| Energy: | | | | | | | | | | |
| Electricity (at least min.service level) | | 23 738 | 24 925 | 24 925 | 32 713 | 32 713 | 32 713 | 32 877 | 33 041 | 33 206 |
| Electricity - prepaid (min.service level) | | 5 748 | 6 035 | 6 034 | 6 550 | 6 550 | 6 550 | 6 583 | 6 616 | 6 649 |
| <i>Minimum Service Level and Above sub-total</i> | | 29 486 | 30 960 | 30 959 | 39 263 | 39 263 | 39 263 | 39 459 | 39 657 | 39 855 |
| Electricity (< min.service level) | | — | — | — | — | — | — | — | — | — |
| Electricity - prepaid (< min. service level) | | 5 546 | 5 823 | 5 823 | 6 114 | 6 114 | 6 114 | 6 145 | 6 176 | 6 207 |
| Other energy sources | | — | — | — | — | — | — | — | — | — |
| <i>Below Minimum Service Level sub-total</i> | | 5 546 | 5 823 | 5 823 | 6 114 | 6 114 | 6 114 | 6 145 | 6 176 | 6 207 |
| Total number of households | 5 | 35 032 | 36 784 | 36 782 | 45 377 | 45 377 | 45 377 | 45 604 | 45 832 | 46 062 |
| Refuse: | | | | | | | | | | |
| Removed at least once a week | | 79 650 | 81 500 | 93 488 | 101 000 | 101 000 | 101 000 | 101 505 | 102 013 | 102 523 |
| <i>Minimum Service Level and Above sub-total</i> | | 79 650 | 81 500 | 93 488 | 101 000 | 101 000 | 101 000 | 101 505 | 102 013 | 102 523 |
| Removed less frequently than once a week | | — | — | 2 159 | 12 000 | 12 000 | 12 000 | 12 060 | 12 120 | 12 181 |
| Using communal refuse dump | | — | — | 3 091 | — | — | — | — | — | — |
| Using own refuse dump | | — | — | 13 720 | — | — | — | — | — | — |
| Other rubbish disposal | | — | — | 824 | — | — | — | — | — | — |
| No rubbish disposal | | — | — | 4 091 | — | — | — | — | — | — |
| <i>Below Minimum Service Level sub-total</i> | | — | — | 23 885 | 12 000 | 12 000 | 12 000 | 12 060 | 12 120 | 12 181 |
| Total number of households | 5 | 79 650 | 81 500 | 117 373 | 113 000 | 113 000 | 113 000 | 113 565 | 114 133 | 114 703 |
| Households receiving Free Basic Service | 7 | | | | | | | | | |
| Water (6 kilolitres per household per month) | | 16 978 | 17 827 | 40 736 | 40 736 | 40 736 | 40 736 | 45 500 | 45 728 | 45 956 |
| Sanitation (free minimum level service) | | 8 500 | 11 000 | 6 023 | 8 969 | 8 969 | 8 969 | 11 500 | 11 500 | 11 600 |
| Electricity/other energy (50kwh per household per month) | | 8 500 | 11 000 | 6 023 | 8 969 | 8 969 | 8 969 | 11 500 | 11 500 | 11 600 |
| Refuse (removed at least once a week) | | 8 500 | 11 000 | 6 023 | 8 969 | 8 969 | 8 969 | 11 500 | 11 500 | 11 600 |
| Cost of Free Basic Services provided (R'000) | 8 | | | | | | | | | |
| Water (6 kilolitres per household per month) | | 66 000 | 69 300 | 224 | 80 041 | 80 041 | 80 041 | 91 648 | 97 146 | 102 975 |
| Sanitation (free sanitation service) | | 12 384 | 13 003 | 924 | 15 018 | 15 018 | 15 018 | 17 196 | 18 228 | 19 322 |
| Electricity/other energy (50kwh per household per month) | | 4 631 | 4 863 | 188 | 5 617 | 5 617 | 5 617 | 6 414 | 6 799 | 7 207 |
| Refuse (removed once a week) | | 8 604 | 9 034 | 682 | 10 434 | 10 434 | 10 434 | 11 060 | 11 724 | 12 427 |
| Total cost of FBS provided (minimum social package) | | 91 619 | 96 200 | 2 018 | 111 111 | 111 111 | 111 111 | 126 318 | 133 897 | 141 931 |
| Highest level of free service provided | | | | | | | | | | |
| Property rates (R value threshold) | | — | — | 40 000 | 398 | 398 | 398 | 40 000 | 40 000 | 40 000 |
| Water (kilolitres per household per month) | | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Sanitation (kilolitres per household per month) | | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Sanitation (Rand per household per month) | | 125 | 137 | 153 | 160 | 160 | 160 | 165 | 170 | 175 |
| Electricity (kwh per household per month) | | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 |
| Refuse (average litres per week) | | 96 | 105 | 121 | 121 | 121 | 121 | 240 | 240 | 240 |
| Revenue cost of free services provided (R'000) | 9 | | | | | | | | | |
| Property rates (R15 000 threshold rebate) | | 400 | 420 | 485 | 485 | 485 | 485 | 500 | 550 | 600 |
| Property rates (other exemptions, reductions and rebates) | | 16 485 | 17 310 | 460 554 | 19 993 | 19 993 | 19 993 | 21 192 | 22 464 | 23 811 |
| Water | | 66 678 | 70 012 | 80 864 | 80 864 | 80 864 | 80 864 | 12 891 | 12 956 | 13 020 |
| Sanitation | | 12 384 | 13 003 | 923 687 | 15 018 | 15 018 | 15 018 | 22 770 | 22 770 | 22 968 |
| Electricity/other energy | | 93 | 97 | 279 | 112 | 112 | 112 | 141 | 141 | 167 |
| Refuse | | 8 604 | 9 034 | 682 045 | 10 434 | 10 434 | 10 434 | 16 721 | 16 721 | 16 867 |
| Municipal Housing - rental rebates | | — | — | — | — | — | — | — | — | — |
| Housing - top structure subsidies | | — | — | — | — | — | — | — | — | — |
| Other | | — | — | — | — | — | — | — | — | — |
| Total revenue cost of free services provided (total social package) | 6 | 104 643 | 109 876 | 2 147 914 | 126 906 | 126 906 | 126 906 | 74 216 | 75 602 | 77 434 |

Explanatory notes to Table A10 - Basic Service Delivery Measurement

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.
2. Mogale City continues to make progress with the eradication of backlogs:
 - a. Water services – (minimum service level) 4 671 households are provided by water through water tinkering. . These households are largely found in ‘rural areas’ and these areas are the key focus priority of the City in eradicating poverty and low service delivery.
 - b. Sanitation services – backlog have been eradicated as the City is providing or renting chemical toilets mostly for Informal Settlements in rural areas.
 - c. Electricity services - as indicated elsewhere, the emphasis in the electricity sector is on addressing urgent network upgrades. Once the most pressing network issues have been addressed, the electrification programme will be prioritised.
3. The budget provides for 11 500 households to be registered as indigent in 2015/16 currently Mogale City is providing free basic services to 8 969 households. The number is set to increase to 20 000 households given the rapid rate of in-migration to the City, especially by poor people seeking economic opportunities.
4. It is anticipated that these Free Basic Services will cost the municipality R126 million in 2015/16, increasing to R142 million in 2017/18. This is covered by the municipality’s equitable share allocation from national government.
5. In addition to the Free Basic Services in terms of property rates rebates, the City also ‘gives’ households R21 192 million in exemptions, reductions and rebates during 2015/16, and it increases to R23 811 million in 2017/18. This ‘tax expenditure’ needs to be seen within the context of the municipality’s overall revenue management strategy – the more the municipality gives away, the less there is available to fund other services.

Table 25 MBRR Table A11 – Schedule of Service Delivery Standards

| Standard | Description | Service Level |
|------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Solid Waste Removal | | |
| Premise based removal (Residential Frequency) | | 1x per week |
| Premise based removal (Business Frequency) | | 1x per week |
| Bulk Removal (Frequency) | | once in 2 weeks |
| Removal Bags provided(Yes/No) | | none |
| Garden refuse removal Included (Yes/No) | | private |
| Street Cleaning Frequency in CBD | | daily |
| Street Cleaning Frequency in areas excluding CBD | | once a week |
| How soon are public areas cleaned after events (24hours/48hours/longer) | | Immediately |
| Clearing of illegal dumping (24hours/48hours/longer) | | per cleanup programme |
| Recycling or environmentally friendly practices(Yes/No) | | yes |
| Licensed landfill site(Yes/No) | | yes |
| Water Service | | |
| Water Quality rating (Blue/Green/Brown/NO drop) | | Blue |
| Is free water available to all? (All/only to the indigent consumers) | | All except business |
| Frequency of meter reading? (per month, per year) | | Per month |
| Are estimated consumption calculated on actual consumption over (two month's/three month's/longer period) | | Three months |
| On average for how long does the municipality use estimates before reverting back to actual readings? (months) | | Three months |
| Duration (hours) before availability of water is restored in cases of service interruption (complete the sub questions) | | |
| One service connection affected (number of hours) | | 1 |
| Up to 5 service connection affected (number of hours) | | 3 |
| Up to 20 service connection affected (number of hours) | | 4 |
| Feeder pipe larger than 800mm (number of hours) | | 24 |
| What is the average minimum water flow in your municipality? | | 20l/s |
| Do you practice any environmental or scarce resource protection activities as part of your operations? (Yes/No) | | No |
| How long does it take to replace faulty water meters? (days) | | 2 |
| Do you have a cathodic protection system in place that is operational at this stage? (Yes/No) | | No |
| Electricity Service | | |
| What is your electricity availability percentage on average per month? | | 0.99 |
| Do your municipality have a ripple control in place that is operational? (Yes/No) | | Yes |
| How much do you estimate is the cost saving in utilizing the ripple control system? | | ±R8 million per year |
| What is the frequency of meters being read? (per month, per year) | | per months |
| Are estimated consumption calculated at consumption over (two month's/three month's/longer period) | | 3 months |
| On average for how long does the municipality use estimates before reverting back to actual readings? (months) | | 3 months |
| Duration before availability of electricity is restored in cases of breakages (immediately/one day/two days/longer) | | immediately |
| Are accounts normally calculated on actual readings? (Yes/no) | | yes |
| Do you practice any environmental or scarce resource protection activities as part of your operations? (Yes/No) | | yes |
| How long does it take to replace faulty meters? (days) | | 3 months |
| Do you have a plan to prevent illegal connections and prevention of electricity theft? (Yes/No) | | yes |
| How effective is the action plan in curbing line losses? (Good/Bad) | | good |
| How soon does the municipality provide a quotation to a customer upon a written request? (days) | | 1 compliance of NRS047 |
| How long does the municipality takes to provide electricity service where existing infrastructure can be used? (working days) | | |
| How long does the municipality takes to provide electricity service for low voltage users where network extension is not required? (working days) | | 1 compliance of NRS047 |
| How long does the municipality takes to provide electricity service for high voltage users where network extension is not required? (working days) | | Quality of Service |
| Sewerage Service | | |
| | | No, upgrading |
| Are your purification system effective enough to put water back in to the system after purification? | | Magaliesburg as well as |
| To what extend do you subsidize your indigent consumers? | | Flip Human, Percy |
| How long does it take to restore sewerage breakages on average | | Stewart - Completed. |
| Severe overflow? (hours) | | 100% |
| Sewer blocked pipes: Large pipes? (Hours) | | 12 to 48 hrs |
| Sewer blocked pipes: Small pipes? (Hours) | | 3-7 days |
| Spillage clean-up? (hours) | | 48-72 hrs |
| Replacement of manhole covers? (Hours) | | 72 hrs |
| Road Infrastructure Services | | |
| Time taken to repair a single pothole on a major road? (Hours) | | 72 hrs |
| Time taken to repair a single pothole on a minor road? (Hours) | | 72 hrs |
| Time taken to repair a road following an open trench service crossing? (Hours) | | 96 hrs |
| Time taken to repair walkways? (Hours) | | 72 hrs |
| Property valuations | | |
| How long does it take on average from completion to the first account being issued? (one month/three months or longer) | | One month |
| Do you have any special rating properties? (Yes/No) | | No |
| Financial Management | | |
| Is there any change in the situation of unauthorised and wasteful expenditure over time? (Decrease/Increase) | | Decrease |
| Are the financial statement outsourced? (Yes/No) | | No |
| Are there Council adopted business process restructuring the flow and management of documentation feeding to Trial Balance? | | No |
| How long does it take for an Tax/Invoice to be paid from the date it has been received? | | 30 days |
| Is there advance planning from SCM unit linking all departmental plans quarterly and annually including for the next two to three years procurement plans? | | Not Yet |
| Administration | | |
| Reaction time on enquiries and requests? | | 5 minutes |
| Time to respond to a verbal customer enquiry or request? (working days) | | 15 to 45 minutes |
| Time to respond to a written customer enquiry or request? (working days) | | 15 to 45 minutes |
| Time to resolve a customer enquiry or request? (working days) | | 15 |
| What percentage of calls are not answered? (5%,10% or more) | | not applicable |
| How long does it take to respond to voice mails? (hours) | | Not |
| Does the municipality have control over locked enquiries? (Yes/No) | | yes |
| Is there a reduction in the number of complaints or not? (Yes/No) | | 20 to 30 minutes |
| How long does it take to open an account to a new customer? (1 day/ 2 days/ a week or longer) | | 1 day |
| How many times does SCM Unit, CFO's Unit and Technical unit sit to review and resolve SCM process delays other than normal monthly management meetings? | | when necessary |
| Community safety and licensing services | | |
| How long does it take to register a vehicle? (minutes) | | 10 minutes |
| How long does it take to renew a vehicle license? (minutes) | | 5 minutes |
| How long does it take to issue a duplicate registration certificate vehicle? (minutes) | | 5 minutes |
| How long does it take to de-register a vehicle? (minutes) | | 5 minutes |
| How long does it take to renew a drivers license? (minutes) | | 20 minutes |
| What is the average reaction time of the fire service to an incident? (minutes) | | This is the function of West Rand District Municipality |
| What is the average reaction time of the ambulance service to an incident in the urban area? (minutes) | | This is the function of West Rand District Municipality |
| What is the average reaction time of the ambulance service to an incident in the rural area? (minutes) | | This is the function of West Rand District Municipality |
| Economic development | | |
| How many economic development projects does the municipality drive? | | 5 |
| How many economic development programme are deemed to be catalytic in creating an enabling environment to unlock key economic growth projects? | | 6 |
| What percentage of the projects have created sustainable job security? | | 40% |
| Does the municipality have any incentive plans in place to create an conducive environment for economic development? (Yes/No) | | No but the municipality is using the following approaches: Co-funding, Partnerships, Grant funding & encourage developers to use contractors and local labour |
| Other Service delivery and communication | | |
| Is a information package handed to the new customer? (Yes/No) | | No |
| Does the municipality have training or information sessions to inform the community? (Yes/No) | | Yes |
| Are customers treated in a professional and humanly manner? (Yes/No) | | Yes |

2 Part 2 – Supporting Documentation

2.1 Overview of the annual budget process

Section 53 of the MFMA requires the Executive Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Executive Mayor of the municipality must establish a Budget Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for Finance.

The primary aim of the Budget Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the City's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

2.1.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2014) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Executive Mayor tabled in Council the required IDP and budget time schedule on 30 August 2014. Key dates applicable to the process were:

| PHASES | ACTIVITIES | RESPONSIBLE | DATES |
|---------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|---------------|
| Phase 1 Planning Process | | | |
| | Adoption of IDP/ budget Process Plan | IDP unit and BTO | August 2014 |
| | Presentation to IDP/ budget task team | IDP Unit | August 2014 |
| Strategic IDP/Budget workshop for Mayoral Committee and Senior Management | Presentation to councillors | IDP and BTO | October 2014 |
| | Review of 2014/15 public participation to determine the following <ul style="list-style-type: none"> What needs to be improved for the public participation What are the possible alternatives for the next public participation? | IDP unit and BTO | October 2014 |
| | <ul style="list-style-type: none"> Review 1st quarter performance Determine service delivery priorities Agree on MTFF and its assumptions. Agree on initial cash limits for each department | IDP unit and BTO | October 2014 |
| | MEC comments review | IDP Unit | Oct/Nov 2014 |
| | Executive Managers/Managers complete stage 1 IDP/Budget input forms. | All Departments | November 2014 |
| | Public Participation Process | Exec. Mayor | Oct- Nov 2014 |
| | | | |
| Phase 2 Analysis | | | |
| Community and stakeholder analysis | Community and stakeholder register | Office of the Speaker | October 2014 |
| | Consideration of economic priorities | Financial Services | Oct/Nov 2014 |
| | Institutional analysis | Corporate Services | Oct/Nov 2014 |
| | Spatial Priorities | Planning and Development | Oct/Nov 2014 |
| | Socio-Economic Priorities | IDP Unit | Oct/Nov 2014 |
| | Institutional transformation | All Departments | Oct/Nov 2014 |
| | Compliance with IDP legal framework | The entire municipality | Oct/Nov 2014 |
| | Alignment of Priorities | IDP unit | Oct/Nov 2014 |
| PHASE 3 STRATEGIES | | | |
| | Vision and Mission | The entire municipality | October 2014 |

| | | | |
|-----------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|-----------------------|
| | Objectives and development priorities | The entire municipality | October 2014 |
| | Programme and Project Identification | The entire municipality | October 2014 |
| PHASE 4 PROGRAMME AND PROJECTS | | | |
| Project & programme proposals | Priority Programmes and Projects | All Departments | |
| Project costing | CAPEX and OPEX costing | BTO | |
| | Setting of project targets and indicators | All Departments | December 2014 |
| PHASE 5 INTEGRATION | | | |
| | MEC comments | IDP unit | |
| | Sectoral plans | | December 2014 |
| | Operational plans | All Departments | |
| | Performance review | M& E | December 2014 |
| | <ul style="list-style-type: none"> Agreement on the 2014/15 adjustment budget Agreement on changes proposed by Executive Mayor and Councillors on IDP/Budget | IDP and BTO | January 2015 |
| | Tabling of the midyear performance review and 2014/15 annual report | Executive Mayor | February 2015 |
| | Submission of stage II input forms by Executive Managers and Manager | All Department | February 2015 |
| PHASE 6 APPROVAL | | | |
| | Tabling of the IDP/Budget to Portfolios | IDP/Budget Office | March 2015 |
| | Tabling of the draft IDP and budget to council | Executive Mayor | March 2015 |
| | Public Notice inviting comments | IDP unit | March 2015 |
| | Statutory Public Participation process | Exec. Mayor | April 2015 |
| | Responses to and incorporation of comments including portfolio Committees inputs | | |
| | Tabling of IDP and budget for consideration/ approval. | Municipal Council | May/June 2015 |
| | Submission of the approved IDP to the MEC of Local Government | IDP unit | June/July 2015 |
| | Approval of the SDBIP | Executive Mayor | June/July 2015 |
| PHASE 7 IMPLEMENTATION | | | |
| | Project implementation in accordance with the SDBIP | All Departments | July 2014 – June 2015 |
| | Monitoring | M&E | |
| | Review | All Departments | January 2015 |
| | Quarterly reporting MM, MEC, council | IDP and Internal Audit Unit | Every quarter |
| PHASE 8 ANNUAL REVIEW | | | |

| | | | |
|----------------------------|--------------------------------------------------------------------------------------------------|---------|------------|
| Draft Annual Report | Submission of unaudited Draft Annual Report to MPAC | M & E | Aug 15 |
| | Submission of the Annual Report to AG | M&E | Aug 15 |
| | Tabling of the Annual Report | M&E | Nov/Dec 15 |
| Oversight Report | Oversight Report made public and Submitted to National Treasury and Local Government Departments | Council | Dec 15 |

2.2 Overview of budget related-policies

2.3.1 Various policies approved by Council underpin governance and the financial functioning of the municipality and are relevant to the budget process. The purpose of this section of the Budget Report is to indicate the key policies in this regard and to seek approval for any new or amended policies by Council.

2.3.2 The following budget related policies were approved by Council for the implementation in the 2010/11, 2011/12, 2013/14 and 2014/15 financial years remain in force for the 2015/16 financial year:

1. Write Off Policy
2. Sports & Recreation Facilities Tariff Policy
3. General Tariff Policy
4. Funding & Reserves Policy
5. Directives for Deviations from the normal SCM Process
6. Public Safety Tariff Policy
7. Development Contribution for Engineering Services Policy
8. Water Services By-laws

2.2.3 Review of Property Rates Policy

Changes are proposed to the 2014/2015 Property Rates Policy as follows:

1. Amendment – State owned properties are now called- Public Service purpose properties.
2. Amendment – section 7.1.11. State owned properties is the new category
3. Amendment – section 13.1. (e) Properties used for public service purpose should be considered for rebates.
4. Under Section 18.1.the validity of the General valuation roll will be 5 years with the implementation of the MPRA Amendment.

2.3.4 Review of credit control and debt collection policy

Changes and additions are proposed to the 2014/15 policy as follows:

-the clause, account that are 120 days and above as well as has been removed from clause 6.12.4

-the clause on salary ranges has been changed as follows

- Net salary range earned by the consumer:
 - R 1 000 – R 2 999 20 % of the outstanding debt
 - R 3 000 – R 5 999 25%
 - R 6 000 – R 8 999 30 %
 - R 9 000 – R 12 999 35 %
 - R 13 000 – R 15 999 45 %
 - R 16 000 – R 20 999 55%
 - R 21 000 – R 25 999 60 %
 - R 26 000 and above 65 %

-the initial payment is not applicable to staff members of Mogale City Local Municipality has been added on clause 6.14.2.1.

2.3.5 The following policies approved during 2014/15 financial year reflect no changes:

1. Budget Management Policy
2. Adjustment Budget Policy
3. Cash Management & Investment Policy
4. Long Term Planning Policy
5. Unauthorised Irregular Fruitless & Wasteful Expenditure Policy
6. Supply Chain Management Policy
7. Indigent Management Policy

All the above policies are available on the City's website, as well as the following budget related policies:

1. Immovable Property, Plant & Equipment Policy
2. Write Off Policy
3. Sports & Recreation Facilities Tariff Policy
4. General Tariff Policy
5. Virement Policy
6. Funding & Reserves Policy
7. Directives for Deviations from the normal SCM Process
8. Public Safety Tariff Policy
9. Development Contribution for Engineering Services Policy
10. Water Services By-laws

2.3 Overview of budget assumptions

2.3.1 General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2015/16 MTREF:

- National Government macro-economic targets;
- The general inflationary outlook and the impact on City's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity and water; and
- The increase in the cost of remuneration. Employee related costs comprise 23 per cent of total operating expenditure in the 2015/16 MTREF.

2.3.2 Interest rates for borrowing and investment of funds

The MFMA specifies that borrowing can only be utilised to fund capital or refinancing of borrowing in certain conditions. The City engages in a number of financing arrangements to minimise its interest rate costs and risk. There is no borrowing during 2015/16 financial year.

2.3.3 Collection rate for revenue services

The base assumption is that tariff and rating increases will increase at a rate slightly higher than CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

The rate of revenue collection is currently expressed as a percentage (**96 per cent**) of annual billings. Cash flow is assumed to be 96 per cent of billings, plus an increased collection of arrear debt from the revised credit control and debt collection policy. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

2.3.4 Salary increases

The Salary and Wage Collective Agreement for the period 01 July 2012 to 30 June 2015 has come to an end. The South African Local Government Association issued a press release on 03 March 2015 indicating that it tabled the following offer for salaries and wages increase:

- 2015/16 Financial Year – 4.4 per cent (inflation linked)
- 2016/17 and 2017/18 Financial Years – inflation related increase plus additional 0.25 per cent

As the negotiations are still underway, municipalities should use the above proposed guidelines in preparing their 2015/16 budgets.

2.3.5 Impact of national, provincial and local policies

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Local Government Back to Basics Strategy
- Creating jobs;
- Expanding investment in infrastructure
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

The medium-term expenditure framework (MTEF) presented by Minister of Finance in February 2015 indicates that the 2015 Budget allocates resources to core social and economic priorities while containing aggregate expenditure growth. Spending plans give effect to the priorities of the NDP and the MTSE. Initiatives under way include: large public-sector infrastructure investments in electricity and transport; expanded partnerships to encourage private investment; better cooperation between government, the private sector, trade unions and civil society; incentives to attract new entrants in the economy; special economic zones to boost exports; programmes to reshape the urban spatial landscape; and programmes to improve the quality of education and skills development.

MFMA Circular No 75 encourages municipalities to renew their focus on core service delivery functions and reduce costs without adversely affecting basic services. Furthermore they must ensure that efficiency gains, eradication of non-priority spending (cost containment measures) and the reprioritisation of expenditure relating to core infrastructure continue to inform the planning framework.

The state of the economy has an adverse effect on the consumers. As a result municipalities' revenues and cash flows are expected to remain under pressure. Furthermore municipalities should carefully consider affordability of tariff increases, especially as it relates to domestic consumers while considering the level of services versus the associated cost. municipalities should carefully consider affordability of tariff increases, especially as it relates to domestic consumers while considering the level of services versus the associated cost. Municipalities should also pay particular attention to managing revenue effectively and carefully evaluate all spending decisions.

2.3.6 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understandability for councillors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from 'Ratepayers and other' to be provide for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue., and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt).

Table 25 MBRR Table A7 - Budget cash flow statement

GT481 Mogale City - Table A7 Budgeted Cash Flows

| Description | Ref | 2011/12 | 2012/13 | 2013/14 | Current Year 2014/15 | | | | 2015/16 Medium Term Revenue & Expenditure Framework | | |
|---------------------------------------------------|-----|------------------|------------------|------------------|----------------------|------------------|--------------------|-------------------|-----------------------------------------------------|------------------------|------------------------|
| | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2015/16 | Budget Year +1 2016/17 | Budget Year +2 2017/18 |
| CASH FLOW FROM OPERATING ACTIVITIES | | | | | | | | | | | |
| Receipts | | | | | | | | | | | |
| Property rates, penalties & collection charges | | 300 098 | 322 147 | 375 912 | 338 425 | 355 579 | 355 579 | 355 579 | 380 150 | 401 058 | 422 314 |
| Service charges | | 864 111 | 906 390 | 952 969 | 1 243 339 | 1 209 865 | 1 209 865 | 1 209 865 | 1 352 686 | 1 511 026 | 1 688 224 |
| Other revenue | | 224 625 | 88 261 | 166 424 | 409 068 | 379 924 | 379 924 | 379 924 | 183 758 | 81 612 | 85 938 |
| Government - operating | 1 | 198 644 | 224 377 | 233 575 | 250 984 | 253 630 | 253 630 | 253 630 | 265 305 | 291 874 | 323 746 |
| Government - capital | 1 | 103 357 | 120 383 | 109 235 | 122 012 | 118 250 | 118 250 | 118 250 | 136 636 | 152 791 | 165 695 |
| Interest | | 14 919 | 23 886 | 27 142 | 15 201 | 38 138 | 38 138 | 38 138 | 40 237 | 42 450 | 44 700 |
| Dividends | | 13 | | 34 | | | | | - | - | - |
| Payments | | | | | | | | | | | |
| Suppliers and employees | | (1 467 135) | (1 400 128) | (1 524 575) | (2 030 297) | (2 104 144) | (2 104 144) | (2 104 144) | (2 028 929) | (2 187 643) | (2 396 420) |
| Finance charges | | (45 285) | (45 421) | (55 300) | (58 067) | (53 067) | (53 067) | (53 067) | (56 035) | (51 944) | (48 308) |
| Transfers and Grants | 1 | (19 893) | (32 510) | (25 462) | (40 650) | (39 620) | (39 620) | (39 620) | (41 439) | (43 718) | (46 123) |
| NET CASH FROM/(USED) OPERATING ACTIVITIES | | 173 454 | 207 386 | 259 954 | 250 015 | 158 555 | 158 555 | 158 555 | 232 369 | 197 506 | 239 767 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | | | | | | |
| Receipts | | | | | | | | | | | |
| Proceeds on disposal of PPE | | 9 592 | - | 1 161 | 2 000 | - | - | - | - | - | - |
| Decrease (Increase) in non-current debtors | | - | - | - | - | - | - | - | - | - | - |
| Decrease (increase) other non-current receivables | | - | - | - | - | - | - | - | - | - | - |
| Decrease (increase) in non-current investments | | - | - | - | - | - | - | - | - | - | - |
| Payments | | | | | | | | | | | |
| Capital assets | | (168 959) | (323 911) | (222 054) | (483 996) | (461 909) | (461 909) | (461 909) | (319 636) | (791 352) | (906 959) |
| NET CASH FROM/(USED) INVESTING ACTIVITIES | | (159 367) | (323 911) | (220 893) | (481 996) | (461 909) | (461 909) | (461 909) | (319 636) | (791 352) | (906 959) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | | | | | | |
| Receipts | | | | | | | | | | | |
| Short term loans | | - | - | - | - | - | - | - | - | - | - |
| Borrowing long term/refinancing | | - | 190 994 | - | 239 500 | 239 500 | 239 500 | 239 500 | - | - | - |
| Increase (decrease) in consumer deposits | | 958 | - | - | 727 | - | - | - | - | - | - |
| Payments | | | | | | | | | | | |
| Repayment of borrowing | | (10 605) | (28 080) | (32 519) | (28 621) | (30 993) | (30 993) | (30 993) | (41 173) | (33 684) | (106 093) |
| NET CASH FROM/(USED) FINANCING ACTIVITIES | | (9 647) | 162 914 | (32 519) | 211 606 | 208 507 | 208 507 | 208 507 | (41 173) | (33 684) | (106 093) |
| NET INCREASE/ (DECREASE) IN CASH HELD | | 4 440 | 46 388 | 6 541 | (20 375) | (94 847) | (94 847) | (94 847) | (128 440) | (627 530) | (773 285) |
| Cash/cash equivalents at the year begin: | 2 | 39 336 | 43 775 | 90 163 | 27 267 | 96 705 | 96 705 | 96 705 | 1 858 | (126 582) | (754 112) |
| Cash/cash equivalents at the year end: | 2 | 43 775 | 90 163 | 96 705 | 6 892 | 1 858 | 1 858 | 1 858 | (126 582) | (754 112) | (1 527 397) |

The above table shows that cash and cash equivalents of the City remains positive from 2011/12, 2014/15 financial year and start to indicate a deficit over the MTREF.

2.3.7 Cash Backed Reserves/Accumulated Surplus Reconciliation

This following table meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'.

Table 26 MBRR Table A8 - Cash backed reserves/accumulated surplus reconciliation

GT481 Mogale City - Table A8 Cash backed reserves/accumulated surplus reconciliation

| Description | Ref | 2011/12 | 2012/13 | 2013/14 | Current Year 2014/15 | | | | 2015/16 Medium Term Revenue & Expenditure Framework | | |
|---------------------------------------------------|-----|------------------|-----------------|------------------|----------------------|-----------------|--------------------|-------------------|-----------------------------------------------------|------------------------|------------------------|
| | | Audited Outcome | Audited Outcome | Audited Outcome | Original Budget | Adjusted Budget | Full Year Forecast | Pre-audit outcome | Budget Year 2015/16 | Budget Year +1 2016/17 | Budget Year +2 2017/18 |
| Cash and investments available | | | | | | | | | | | |
| Cash/cash equivalents at the year end | 1 | 43 775 | 90 163 | 96 705 | 6 892 | 1 858 | 1 858 | 1 858 | (126 582) | (754 112) | (1 527 397) |
| Other current investments > 90 days | | 0 | 0 | 0 | (0) | (0) | (0) | (0) | (0) | (0) | (0) |
| Non current assets - Investments | 1 | 38 244 | 47 108 | 53 935 | 62 084 | 62 084 | 62 084 | 62 084 | 63 559 | 63 559 | 63 559 |
| Cash and investments available: | | 82 019 | 137 271 | 150 639 | 68 975 | 63 942 | 63 942 | 63 942 | (63 023) | (690 553) | (1 463 838) |
| Application of cash and investments | | | | | | | | | | | |
| Unspent conditional transfers | | 13 874 | 7 984 | 8 183 | – | – | – | – | – | – | – |
| Unspent borrowing | | – | – | – | – | 53 200 | 53 200 | – | – | – | – |
| Statutory requirements | 2 | 68 725 | 70 832 | 70 446 | 70 832 | 70 446 | 70 446 | 70 446 | 70 446 | 70 446 | 70 446 |
| Other working capital requirements | 3 | 35 530 | 43 059 | 117 810 | (99 383) | (143 659) | (143 659) | (143 659) | (78 508) | (30 195) | (44 813) |
| Other provisions | | 14 147 | 9 776 | 12 013 | 18 671 | 12 013 | 12 013 | 12 013 | 13 215 | 13 215 | 13 215 |
| Long term investments committed | 4 | 59 323 | 46 659 | 53 332 | 62 084 | 62 084 | 62 084 | 62 084 | 63 559 | 63 559 | 63 559 |
| Reserves to be backed by cash/investments | 5 | | | | | | | | | | |
| Total Application of cash and investments: | | 191 598 | 178 309 | 261 784 | 52 203 | 54 084 | 54 084 | 884 | 68 712 | 117 025 | 102 407 |
| Surplus(shortfall) | | (109 579) | (41 038) | (111 145) | 16 772 | 9 858 | 9 858 | 63 058 | (131 735) | (807 578) | (1 566 245) |

The following is a breakdown of the application of this funding:

- Unspent conditional transfers (grants) are automatically assumed to be an obligation as the municipality has received government transfers in advance of meeting the conditions. Ordinarily, unless there are special circumstances, the municipality is obligated to return unspent conditional grant funds to the national revenue fund at the end of the financial year. In the past these have been allowed to 'roll-over' and be spent in the ordinary course of business, but this practice has been discontinued.
- The main purpose of other working capital is to ensure that sufficient funds are available to meet obligations as they fall due. A key challenge is often the mismatch between the timing of receipts of funds from debtors and payments due to employees and creditors. **Any underperformance in relation to collections could place upward pressure on the ability of the City to meet its creditor obligations.**
- Long term investments consist primarily of the sinking funds for the repayment borrowings. The sinking fund value is held within long term investments and must be 'held to maturity' and is not available for spending.
- **The municipality has no cash reserves which is a serious concern and should be considered a strategic risk to the financial stability of the City.**

The following graph supplies an analysis of the trends relating cash and cash equivalents and the cash backed reserves/accumulated funds reconciliation over a seven year perspective.

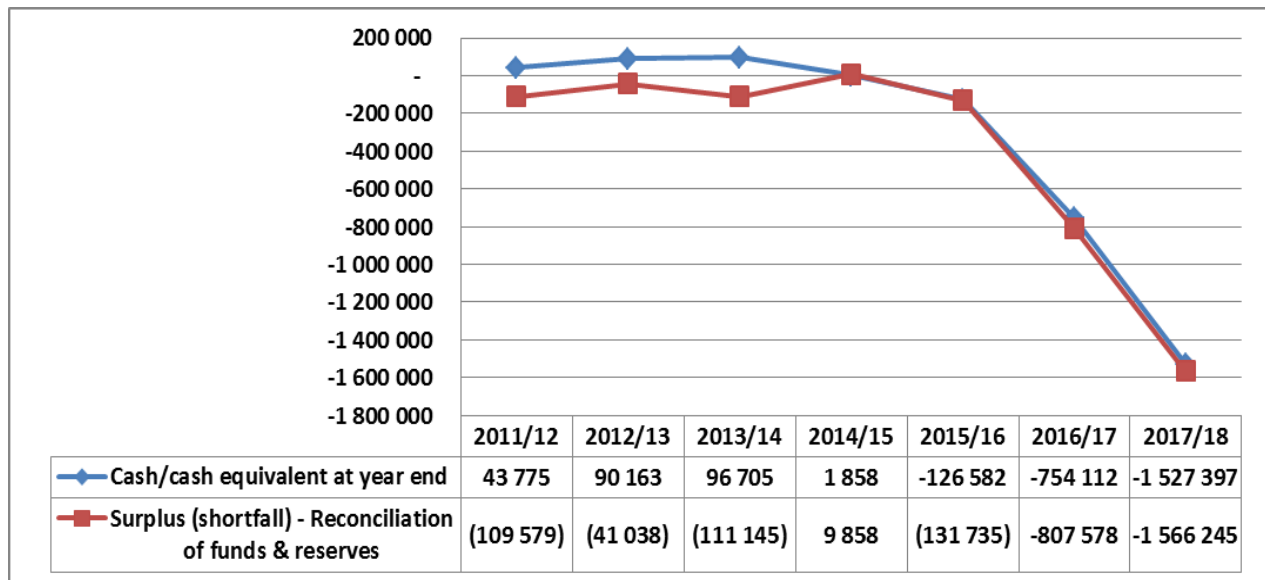


Figure 12 Cash and cash equivalents / Cash backed reserves and accumulated funds

2.4 Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In year reporting

Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved.

2. Internship programme

The City is participating in the Municipal Financial Management Internship programme since March 2004 to May 2013, currently Mogale City have absorbed permanently all five interns. During the 2014/15 financial year employed 5 interns to undergo training in various divisions of the Financial Services Department we have since absorb two interns on permanent basis. Since the introduction of the Internship programme the City has successfully employed and trained twenty six interns through this programme and majority of them were appointed in Mogale City.

3. Budget and Treasury Office

The Budget and Treasury Office has been established in accordance with the MFMA.

4. Audit Committee

An Audit Committee has been established and is fully functional and from 2013/14 financial year Mogale City is utilizing shared district audit committee.

5. Service Delivery and Implementation Plan

The SDBIP content is based on the draft IDP, strategic plan objectives outlined. The SDBIP targets are based on the March 2015 strategic Plan will be tabled when tabling the draft budget as per. Regulation 15(3) (b) of the Budget Regulations (2009) of the MFMA.

6. Annual Report

Annual report is compiled in terms of the MFMA and National Treasury requirements.

7. Policies

An amendment of the Municipal Property Rates Regulations as published in Government Notice 363 of 27 March 2009 was announced in Government Gazette 33016 on 12 March 2010. The ratios as prescribed in the Regulations have been complied with.

2.5 Municipal manager's quality certificate

I Dan Mashitisho, Municipal Manager of Mogale City, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name: Dan Mashitisho

Municipal Manager of Mogale City (GT481)

Signature_____

Date _____